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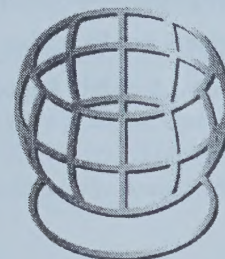
Annual Statutory Information For 2000



Interfor Awarded ISO 14001 Certification



Interfor Awarded SFI Certification



*Interfor Received Millennium Business Award
for Environmental Achievement*

Includes:

- Message To Shareholders
- Management Discussion And Analysis
- Consolidated Financial Statements
- Annual Information Form Dated March 1, 2001
- Environment & Safety Report

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International Forest Products Limited

HIGHLIGHTS

	2000	1999	1998
	(in millions of dollars, except share and per share amounts)		
Financial Summary			
Sales	745.6	661.1	597.1
EBITDA	102.8	99.2	14.5
Net earnings (loss) - before restructuring	25.5	16.8	(32.0)
- after restructuring	27.6	(31.3)	(58.7)
Per Share Data			
Net earnings (loss) per common share			
- before restructuring	0.75	0.48	(0.91)
- after restructuring	0.81	(0.89)	(1.67)
Price range per share			
\$ High	5.50	7.00	7.85
\$ Low	3.30	2.85	2.00
Book value per share	8.27	7.11	8.00
Cash Flow per share before working Capital Change	2.99	2.06	(0.49)
Weighted average shares outstanding (millions)	34.0	35.2	35.2
Financial Position			
Total assets	412.9	460.9	560.0
Total debt	3.9	87.1	160.4
Total shareholders' equity	265.4	250.2	281.5
Invested capital	269.3	337.3	441.9
Financial Ratios (%)			
Return on average shareholders' equity	10.7 %	(11.8)%	(18.9)%
Return on assets before taxes and one time items	10.9 %	6.1 %	(9.5)%
Total debt % invested capital	1.4 %	25.8 %	36.3 %

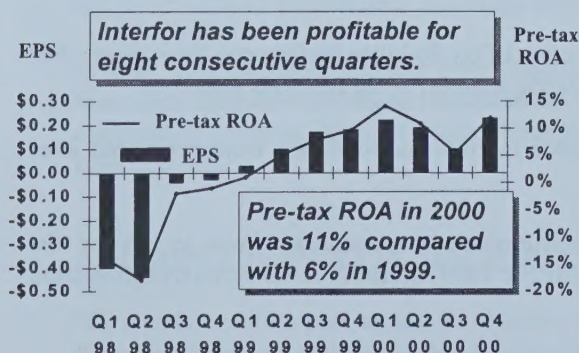
Financial Progress in 2000

- ◆ Earned \$27.6 million after tax
- ◆ Repaid \$83.2 million in debt
- ◆ Repurchased \$12.4 million in Interfor shares
- ◆ Invested \$11.9 million in high return capital projects

Environmental Progress in 2000

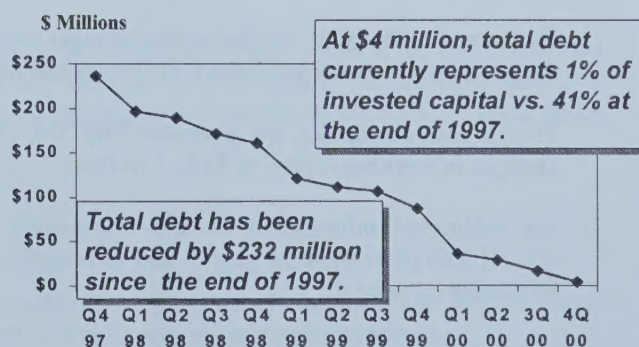
- ◆ Increased percentage of helicopter and variable retention logging
- ◆ Awarded SFI certification (Coastal Operations)
- ◆ Awarded ISO 14001 certification (Interior Operations)
- ◆ Received Millennium Business Award for Environmental Achievement

EPS & ROA (annualized) by Qtr. 1998 - 2000



Note: Results reported before one-time items.

Total Bank Debt 1998 - 2000



MESSAGE TO SHAREHOLDERS

OVERVIEW

Interfor made significant progress on all fronts in 2000. Highlights included:

Financial

- earned \$27.6 million after tax
- repaid \$83.2 million in debt
- re-purchased \$12.4 million in shares
- invested \$11.9 million in high return projects

Environmental

- increased percentage of helicopter and variable retention logging
- awarded SFI Certification of Coastal Operations
- awarded ISO 14001 Certification of Interior Operations
- received Millennium Business Award for Environmental Achievement

Safety

- reduced Medical Incident Rate (MIR) by 26%
- achieved best overall MIR in BC manufacturing sector
- achieved best MIR of any operating mill in BC (Adams Lake Lumber)
- awarded Canadian Society of Safety Engineers Award (Squamish Lumber)

Community and First Nations Activities

- held Annual General Meeting at Squamish
- signed Memorandum of Understanding with Squamish District
- signed Timber Harvesting Agreement with community of Ucluelet
- signed Community Involvement Agreement with Hesquiaht First Nation

These accomplishments and the momentum we have built since mid-1998, place Interfor in an excellent position to pursue strategies consistent with our goal to achieve sustainable long-term profitability.

In the next few pages, we would like to tell you more about our results last year and outline some of the challenges we currently face.

FINANCIAL PERFORMANCE BEST SINCE 1994

In 2000, Interfor earned \$27.6 million after tax or \$0.81 per share, the best result we have achieved since 1994. Before one-time items, Interfor earned \$25.5 million or \$0.74 per share last year compared to \$16.8 million or \$0.48 per share in 1999.

By the end of last year, we had achieved eight consecutive quarters of profitability (before one-time items). For the year, Interfor's pre-tax Return on Assets had increased to 10.9% from 6.1% the previous year.

From a cash standpoint, we generated EBITDA of \$102.8 million in 2000 and total cash from operations after changes in working capital of \$121.1 million.

For additional information on the Company's financial performance we encourage you to review the HIGHLIGHTS section on page 3 and to read the MANAGEMENT DISCUSSION AND ANALYSIS section beginning on page 9.

COMPENSATION AGREEMENTS GENERATE CASH

During the year, Interfor reached two separate agreements with the Government of British Columbia on compensation for the loss of timber-cutting rights and related expenditures. The combined amount of the settlements was \$13.0 million, of which \$11.9 million was received in 2000, with the balance to be paid in 2001.

For accounting purposes, \$0.8 million was taken as income and recorded as a one-time recovery; the balance (\$12.2 million) was applied as a reduction in the book value of timber assets on our balance sheet.

BALANCE SHEET CONTINUES TO IMPROVE

A key focus of our management program since mid-1998 has been the strength of our balance sheet.

The combination of improved earnings, reductions in working capital and control over capital spending along with our efforts to collect on outstanding claims, such as those referred to above, enabled Interfor to reduce total debt by \$83.2 million in 2000. This brings the total amount of debt repaid over the last three years to more than \$232 million.

As a result, Interfor's total debt at the end of last year had been reduced to \$3.9 million. The ratio of total debt to invested capital improved to 1% at year-end compared to 26% at the end of 1999 and 41% at the end of 1997.

We enter 2001 with one of the strongest balance sheets in the sector. In addition to reducing our on-going interest costs, the strength of our balance sheet puts Interfor in an excellent position to withstand disruptions in the market place and to pursue initiatives that will enhance our long-term earnings potential.

3.1 MILLION SHARES RE-PURCHASED

Interfor purchased 3,107,000 shares under the terms of our Normal Course Issuer Bid in 2000 at a cost of \$12.4 million or \$3.97 per share. Under the terms of the share re-purchase program, these shares were cancelled.

The total number of shares re-purchased last year amounted to 9.4% of the public float and 94% of the total number of shares we were eligible to buy under the program.

We believe our shares represent excellent value at their current price level. As a result, our Board of Directors authorized a second share re-purchase program on January 18, 2001 which provides the authority to re-purchase up to 2,964,700 of our Class A shares. This program was approved by the Toronto Stock Exchange on February 14th.

CAPITAL DIRECTED TO HIGH RETURN PROJECTS

Total capital spending in 2000 amounted to \$52.6 million. This amount was approximately \$21 million higher than the previous year but still below annual charges for depletion, depreciation and amortization.

The increase in capital spending in 2000 reflects a decision to proceed with a number of high return projects which we believe will enhance our long-term profitability.

In total, 30 high return projects were undertaken at a cost of \$11.9 million. These projects are more accretive than debt reduction or share re-purchases and form a key element of our strategy to improve Interfor's competitive position. We intend to continue this program in 2001 and have a number of attractive projects under consideration.

FURTHER ADVANCES IN NEW FORESTRY

We are pleased to report to you that Interfor continues to achieve a high level of compliance to the BC Forest Practices Code and, last year, made a commitment to foster new and innovative forestry practices.

At the end of 2000, we received a “clean” audit from the Forest Practices Board for our West Coast operations on Vancouver Island. This represents a significant endorsement of our practices.

In addition, we continue to make advances in New Forestry. Interfor is Canada’s leader in low-impact helicopter logging – the largest operation of its kind in Canada. We added a fifth side to our helicopter logging operations last year and are now heli-logging about one-third of our annual harvest. We have also adopted variable retention logging as an alternative to clear-cutting and applied the technique to more than 42% of our harvest activities last year. In 2001, we are working to increase those percentages.

SFI CERTIFICATION PROVIDES CERTIFICATION OF ENVIRONMENTAL PERFORMANCE

In December, Interfor became the first BC forest company operating on publicly-owned land to receive environmental certification to the American Forest & Paper Association’s Sustainable Forestry Initiative (SFI)SM Standard, when our Coastal Woodlands group was certified to SFI.

The SFI program is a rigorous system of environmental and conservation practices for wildlife and water quality protection, bio-diversity conservation, harvesting practices and a wide range of other conservation goals. This certification provides additional verification for customers, shareholders and others that our practices meet internationally recognized standards for environmental management.

As part of the SFI certification process, we established a Public Advisory Committee consisting of individuals from communities within our operating areas. This group provided valuable insight on our activities from a community perspective and will continue to assist us in implementing and refining our certification goals.

We are also pleased to have as scientific advisor to our certification program, world renowned forest ecologist Dr. Hamish Kimmins of the Faculty of Forestry at the University of British Columbia.

Our Interior operations at Adams Lake also made significant progress from a certification standpoint last year when they were certified under the ISO 14001 standard.

In 2001, we will be pursuing SFI certification for our Interior operations and continuing our involvement in developing regional standards for FSC (Forest Stewardship Council). We are also piloting applications of FSC at two of our operations.

INTERNATIONAL AWARD REFLECTS COMMITMENT TO ENVIRONMENTAL MANAGEMENT

Last May, we were honoured to be chosen as one of 12 companies from around the world to receive the inaugural Millennium Business Award for Environmental Achievement -- awarded jointly by the United Nations Environmental Programme and the International Chamber of Commerce.

In presenting the award, the UNEP/ICC recognized Interfor’s commitment to environmental management, including our:

- leadership role in the use of low-impact helicopter logging;
- use of variable retention logging (as an alternative to clearcutting);
- introduction of systems to monitor environmental performance (in both forestry and milling operations);
- compliance record under the BC Forest Practices Code;
- reforestation practices;
- involvement and partnerships with employees, communities and First Nations groups; and
- forest certification activities.

We take our responsibilities on environmental matters very seriously and have attempted to demonstrate high standards of performance in all areas, even during the difficult times we faced in 1998 and 1999. We are delighted to have had our performance in this area publicly recognized by two prestigious international organizations.

SAFETY PERFORMANCE CONTINUES TO IMPROVE

Last year, we were able to report to you that Interfor's safety performance had improved considerably from previous years. This year, we are pleased to tell you that further improvement was achieved in 2000, with an overall 26% reduction in the Company's Medical Incident Rate (MIR).

In addition to the improvement in our results, Interfor recorded the best overall MIR in the manufacturing sector of the BC industry in 2000 and two of our facilities were singled out for specific recognition:

- our Adams Lake Lumber operation recorded the lowest MIR of all reporting mills in British Columbia; and
- our Squamish Lumber operation received the Canadian Society of Safety Engineer's Award for its workplace and community outreach programs.

Our goal is to operate accident free. Our target for 2001 is to achieve a further 25% improvement in MIR.

COMMUNITY AND FIRST NATIONS AGREEMENTS ENHANCE NEW RELATIONSHIPS

We broke new ground last year in developing and enhancing long-term relationships with our operating communities and with First Nations, on whose traditional territories we operate.

As a first step, we took our Annual General Meeting out of Downtown Vancouver and held it in the community of Squamish, on traditional Native territory. At that meeting, we entered into a new relationship with the District of Squamish by signing a Memorandum of Understanding outlining our commitment to work together on issues of mutual concern. At the meeting, we also agreed to work with the Squamish First Nation to develop cooperative relationships and mutually beneficial business opportunities.

During the year, we signed a similar Community Involvement Agreement with the Hesquiaht First Nation, on Vancouver Island, and entered into a community-based Timber Harvesting Agreement with the Ucluelet Economic Development Corporation.

These agreements, and others already in place, provide economic benefits for the communities and First Nations where we operate. They also represent another step toward more local involvement in the management and use of local resources -- a direction we fully support.

IMPORTANT CONTRIBUTIONS BY EMPLOYEES AND OTHERS

Our achievements in 2000 were the direct result of the commitment and determination of the men and women of Interfor who have responded with enthusiasm to the new direction we established for the Company in mid-1998. While we have not yet achieved our goal of sustained profitability and have numerous challenges before us, we would like to express our thanks to those people who have contributed so much to the progress we have made in the last 2-1/2 years.

We would also like to thank those individuals in the communities where we operate who have been so supportive of our efforts, and our customers -- without whose support, our progress and continued operation would not have been possible.

MARKET OUTLOOK IS WEAK

Prices for structural lumber in the United States declined steadily through 2000 and ended the year at less than US \$200 per thousand board feet, the lowest level in more than 10 years. And, with housing starts expected to decline, prices are expected to remain weak throughout 2001. Cedar prices, on the other hand, have remained reasonably strong, although some weakness is likely going forward as housing starts begin to decline.

In Japan, the trend to kiln-dried products is expected to continue. In addition, the supply of products from Scandinavia, Europe and other regions is expected to continue to increase. These factors, along with the weakening of the yen, could have a negative impact on market price levels in Japan in 2001.

Further weakening the outlook for 2001 is the recent deterioration in the pulp market. The price of chips -- which is an important revenue source for Interfor and other solid wood producers -- is tied, in most cases, to the price of pulp by formula. As pulp prices weaken, the price of chips will also decline.

All-in-all, the market outlook for 2001 is weak at best. At this point in time, it appears likely that our near-term results will fall below those achieved last year. On a positive note, the improvement in our cost position and strong balance sheet leaves Interfor in a much better position to withstand this type of market uncertainty than was the case in 1998.

EXPIRY OF SOFTWOOD LUMBER AGREEMENT ADDS UNCERTAINTY

Adding to the uncertainty we see for 2001 is the expiry of the Canada-U.S. Softwood Lumber Agreement (SLA) on March 31, 2001.

The SLA has governed the trade in softwood lumber between Canada and the U.S. since 1996. Under the terms of the SLA, a volume limit was established for exports to the U.S. from the provinces of BC, Alberta, Ontario and Quebec. Individual quota limits were then assigned to producers in each of these provinces.

The manner in which quotas were set, and the fact that some provinces were covered by the SLA and some were not, has created competitive advantages for producers in some regions of Canada and disadvantages for producers in other regions. Companies operating on the BC Coast -- where the majority of our capacity is located -- were significantly disadvantaged under the quota system with virtually no opportunity to shift volumes to the U.S. market when the Japanese economy collapsed in 1997.

We fully support the expiry of the SLA. That said, we are concerned about the prospect of further trade action by U.S. producers and have urged the Canadian government to meet with their U.S. counterparts with the objective of finding a permanent resolution to the long-standing dispute over access to the U.S. market.

INTERFOR WILL CONTINUE TO BE PROACTIVE

In the face of uncertain markets and the prospect of lower earnings in 2001, we will continue to aggressively address the issues that constrain our ability to reach acceptable levels of profitability.

In this regard, we intend to accelerate our plans to upgrade our manufacturing operations and we will continue to focus on product development and marketing strategies that extract greater value from our timber resources.

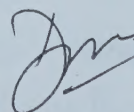
Over the next year, we will also continue to build on our commitment to progressive forest management and ensure that our practices are both scientifically and ecologically sound. We will actively promote and pursue greater local involvement in our woodlands and forestry activities, and we remain committed to working with the Provincial Government and others to modernize forest policy.

The momentum we have established in the last 2-1/2 years and the strength of our balance sheet places Interfor in an excellent position to pursue these strategies which could include growth through acquisition if appropriate opportunities arise. We are confident these initiatives will help to create value for our shareholders in the years ahead.

We thank you for your continued support.



William L. Sauder
Chairman



Duncan K. Davies
President & C.E.O.

March 6, 2001



International Forest Products Limited

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATING RESULTS

Selected Financial Information	2000	1999	1998	1997	1996
	(millions of dollars except per share amounts)				
Sales	745.6	661.1	597.1	757.1	775.2
EBITDA	102.8	99.2	14.5	75.2	57.5
Net earnings (loss) after tax, before restructuring costs and capital asset write-downs	25.5	16.8	(32.0)	0.4	(16.0)
Net earnings (loss)	27.6	(31.3)	(58.7)	0.4	(27.2)
Net earnings (loss) per share	0.81	(0.89)	(1.67)	0.01	(0.77)
Cash flow per share before changes in working capital	2.99	2.06	(0.49)	1.97	1.36

Volume and Price Statistics

Lumber sales (MMfbm)	621	551	528	613	682
Lumber production (MMfbm) (1)	632	565	551	620	721
Log production (thousand cubic metres)	3,407	3,449	2,818	3,237	3,648
Log consumption (thousand cubic metres)	2,791	2,469	2,394	2,797	3,236
Average lumber selling price (\$/Mfbm) (2)	\$795	\$776	\$770	\$878	\$826

(1) Includes lumber produced on a custom cutting basis for customers who have previously purchased the logs, in most cases from Interfor.

(2) \$ Canadian, FOB Vancouver.

Quarterly Earnings Summary

	2000				1999			
	Quarters				Quarters			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
	(millions of dollars except per share amounts)							
Sales	188.3	206.1	174.3	176.9	140.4	155.3	178.0	187.4
Operating earnings (loss)	17.8	12.0	6.2	12.1	2.7	(72.2)	10.8	12.1
EBITDA	26.0	32.2	20.6	24.0	10.8	28.2	32.7	27.5
Net earnings (loss) after tax, before restructuring costs and capital asset write-downs	7.9	6.5	3.5	7.6	0.9	3.5	6.0	6.4
Net earnings (loss)	9.6	6.5	3.9	7.6	0.9	(44.7)	6.0	6.4
Net earnings (loss) per share	0.27	0.19	0.11	0.23	0.03	(1.27)	0.17	0.18
Cash flow per share before changes in working capital	0.70	0.90	0.59	0.80	0.23	0.05	0.84	0.94

General Overview

Interfor recorded net earnings of \$27.6 million (\$0.81 per share) in 2000 compared to a net loss of \$31.3 million (\$0.89 per share) in 1999. EBITDA was \$102.8 million (1999 - \$99.2 million). Before restructuring costs and capital asset write-downs, net earnings for 2000 were \$25.5 million (1999 - \$16.8 million).

Total debt was reduced by \$83.2 million in the year and now stands at \$232.0 million below the level of December 31, 1997. The Company's balance sheet is strong, with a current ratio of 1.4:1 and total debt to invested capital at 1.4%.

On July 6th a new labour agreement was reached between Forest Industrial Relations (the Company's representative in negotiations) and the IWA Canada coastal membership. The term is three years and the agreement provides for wage increases of 2% in each year. The new agreement provides an opportunity for Interfor to work with its employees over the next three years to develop strategies and operating efficiencies to address the challenges which face the coastal industry.

Comparison With 1999

Interfor's sales revenues increased by 13% in 2000 primarily due to a 13% increase in lumber volumes combined with a 2% increase in lumber unit selling prices. Higher operating rates in the Company's sawmills were achieved as a result of the continued focus on operating efficiency. Pulp chip revenues rose by 62% compared to 1999, as unit selling prices rose by 54% and volumes rose by 6%.

Production costs increased as a result of the higher volume of lumber production. In addition, logging costs rose due to a 35% increase in the volume of logs harvested by helicopter. The higher costs of heli-logging were offset somewhat by lower stumpage rates and reduced road costs on those volumes. Unit cash manufacturing costs in the Company's sawmills were similar to 1999 levels.

The non-cash costs of depreciation and amortization decreased from 1999 levels. Road amortization rates were down by 18%, reflecting lower road building costs achieved in recent years, higher helicopter logging volumes and the effects of the write-downs taken in 1999.

Interest costs decreased during the year due to lower debt levels. Borrowing rates were slightly higher than in 1999.

Included in 2000 were recoveries of \$2.8 million on the sale of the Company's Flavelle sawmill and \$0.8 million from a settlement reached with the Government of British Columbia (BC) on a cancelled land transfer agreement. Restructuring costs in 1999 of \$79.5 million were incurred primarily for asset write-downs on the Flavelle sawmill and write-downs of other plant and equipment and logging roads whose carrying values were not considered to be appropriate under current or anticipated operating conditions. The total also included severance and other costs of closing offices and reducing operations.

CASH FLOWS

Cash generated from operations, before working capital changes, was \$101.6 million for the year. Reductions in working capital generated a further \$19.5 million for a net cash generation from operations of \$121.1 million for the year.

The Company applied \$87.1 million as a reduction of long-term debt, bringing the year end balance to zero.

Interfor's application to the Toronto Stock Exchange for approval to purchase up to 10% of the Company's issued and outstanding class A shares was approved February 21, 2000. From the date of approval through to December 31, 2000 Interfor purchased 3,107,000 shares at an average price of \$3.97. Including commissions, the total amount expended on the share buy-back program was \$12.4 million in 2000.

Net cash applied to capital assets and investments totaled \$28.4 million. The Company expended \$30.3 million to construct roads and \$22.4 million to improve plant and equipment. Cash proceeds from the disposal of capital assets totaled \$21.5 million of which \$7.5 million was received on the sale of the Company's Flavelle Cedar sawmill and \$12.3 million was received from the Government of BC pertaining to the loss of timber cutting rights.

The increase in road expenditures was attributable to additional road construction with the cost per kilometre similar to 1999. Approximately one-half of the expenditures on plant and equipment were attributed to projects, which are expected to have paybacks of less than two years, and the balance was used to maintain the efficiency of the Company's operations.

FINANCIAL POSITION

Summary of Financial Position	2000	1999	1998	1997	1996
	(millions of dollars)				
Current assets	147.8	167.2	181.2	294.0	340.3
Current liabilities	<u>103.6</u>	<u>96.3</u>	<u>87.1</u>	<u>162.6</u>	<u>210.1</u>
Working capital	<u>44.2</u>	<u>70.9</u>	<u>94.1</u>	<u>131.4</u>	<u>130.2</u>
Total assets	<u>412.9</u>	<u>460.9</u>	<u>560.0</u>	<u>711.5</u>	<u>740.5</u>
Operating debt	3.9	0.0	0.0	79.1	117.7
Long-term debt	<u>0.0</u>	<u>87.1</u>	<u>160.4</u>	<u>156.8</u>	<u>150.5</u>
Total debt	3.9	87.1	160.4	235.9	268.2
Shareholders' equity	<u>265.4</u>	<u>250.2</u>	<u>281.5</u>	<u>340.3</u>	<u>339.5</u>
Invested capital	<u>269.3</u>	<u>337.3</u>	<u>441.9</u>	<u>576.2</u>	<u>607.7</u>

Ratio and Investment Information

Current ratio	1.4	1.7	2.1	1.8	1.6
Total debt as a percentage of invested capital	1.4%	25.8%	36.3%	40.9%	44.1%
Return on average shareholders' equity	10.7%	(11.8%)	(18.9%)	0.1%	(7.7%)
Return on average invested capital	9.7%	(6.8%)	(10.2%)	1.0%	(3.3%)
Pre-tax return on total assets	11.7%	(11.1%)	(17.3%)	(0.3%)	(6.4%)
Cash flow as a percentage of total debt	2,605.1%	83.1%	(10.6%)	29.3%	17.8%
Equity per share	\$8.27	\$7.11	\$8.00	\$9.67	\$9.67
Weighted average shares outstanding (millions)	34.0	35.2	35.2	35.2	35.1

Re-investment

	(millions of dollars)				
Cash flow from operations before changes in working capital	101.6	72.4	(17.0)	69.2	47.6
Cash generated from (used in) operating working capital	19.5	24.8	130.3	36.1	25.4
Capital expenditures and acquisitions	(52.6)	(31.4)	(38.7)	(86.3)	(79.6)

Current Assets

Accounts receivable declined reflecting lower log sales volumes in the fourth quarter compared to 1999.

Lumber inventory volumes were higher than 1999 year end levels reflecting the higher capacity utilization in the Company's sawmills in 2000. Lumber inventory carrying values declined by 10%, mainly due to market value declines for many of the Company's low-grade products. Log inventories declined due to a 5% reduction in log volumes and a 3% reduction in log unit carrying values.

Current Liabilities

The Company's has available operating lines of credit of \$60.0 million. The Company had current bank borrowings of \$3.9 million at the end of 2000.

The Company's working capital ratio was 1.4 to 1, a reduction from 1999 levels. This was a result of the reductions in inventories and accounts receivable discussed above, with accounts payable balances at a level similar to 1999.

Investments and Other Assets

The decrease in other assets resulted from the reduction of the Company's future income tax asset in 2000. The asset arose primarily from the recognition of tax losses applicable to future years, which have been reduced by taxable income in the current year.

Capital Assets

The net book value of the Company's capital assets declined by \$19.5 million in 2000. Of this amount, \$12.3 million related to cash settlements reached with the Government of BC pertaining to the loss of timber cutting rights, which arose from the creation of parks and through other forest management restrictions. The bulk of the remaining reduction was related to the completion of the sale of the Company's Flavell Cedar sawmill in January 2000. Investments in capital assets during the year were approximately equal to charges for depreciation, amortization and depletion.

Long Term Liabilities

The Company's total long-term debt was reduced to zero in 2000, down from \$87.1 million in 1999. The Company had an unutilized term bank facility of \$90.0 million at year-end. Total debt as a percentage of invested capital declined to 1.4% from 25.8% in 1999.

Other long-term liabilities increased due to revisions in the estimated timing of silvicultural expenditures.

RISKS AND UNCERTAINTIES

Supply / Demand Relationships

Markets for the Company's products are affected by such factors as economic growth, interest rates, construction activity, and log and chip supply / demand relationships. The Company maintains a policy of market and product diversification to enable it to shift its production into strengthening markets and to manufacture more value-added products.

Based on 2000 levels of operations, a \$10 change in the Company's average selling price of its products would impact net earnings as follows:

Lumber	- \$10 change per Mfbm	\$3.7 million
Chips	- \$10 change per volumetric unit	\$2.5 million

Currency Exchange Sensitivity

Interfor ordinarily sells approximately two-thirds of its lumber into export markets. The Company enters into foreign exchange contracts to effectively hedge its offshore sales. In respect of sales to the United States the Company identifies opportunities from time to time to enter into currency contracts on a small portion of its future U.S. dollar receipts. At year-end the Company had outstanding obligations to sell a maximum of U.S.\$69 million at an average rate of CDN\$1.51 per U.S.\$1.00 and ¥389 million at an average rate of ¥69.8 per CDN\$1.00, using a combination of forward and option contracts.

Based on 2000 sales revenue, the sensitivity of Interfor's net earnings to a one per cent change in the value of the Canadian dollar relative to the currencies of the Company's two largest export markets is as follows:

Japanese Yen	\$0.8 million
U.S. Dollar	\$1.0 million

Canada – U.S. Softwood Lumber Agreement

In April 1996, members of the Canadian lumber industry and provincial and federal governments reached a five-year agreement with the U.S. lumber industry and its federal government, which precluded the filing of a countervailing duty action by U.S. producers. Under the agreement, BC, Alberta, Quebec and Ontario are able to export annually a total of 14.7 billion fbm of softwood lumber to the U.S. without financial penalty. Exports in excess of this volume, or a quarterly maximum of 28.75% of the annual quota, are subject to export tax.

The Canada – U.S. Softwood Lumber Agreement expires on March 31, 2001 and is unlikely to be renewed in its current form. In the absence of a negotiated agreement U.S. producers have threatened to commence legal actions, potentially including countervailing duty (CVD) and anti-dumping duty (ADD) petitions, against Canadian producers as early as April 2001.

It is impossible at this point in time to determine whether a CVD or ADD claim by U.S. producers would be successful or to estimate likely duty rates with any certainty.

Interfor is working proactively with other Canadian producers to encourage the Canadian Government to engage in senior level discussions with the U.S. Government in the hope of resolving this matter prior to the imposition of a CVD or ADD. At the same time Interfor is working co-operatively as part of a pan-Canadian effort to prepare a vigorous defence against potential CVD or ADD claims.

Cost of Debt Financing

As at December 31, 2000 Interfor had drawn a total of \$3.9 million of floating rate debt under its term and operating credit facilities. The Company has \$10 million in interest rate swaps at a fixed rate of 5.4% plus stamping fees until November 2001.

Timber Supply Reviews

Interfor's allowable annual cut (AAC) from Forest Licence and Tree Farm Licence tenures is determined by the Ministry of Forests. Many factors affect the AAC such as timber inventory, the amount of operable forest land, growth estimates of young forests, regulation changes, and environmental and social considerations. Timber Supply information is regularly assessed and the AAC is re-determined every five years. There was a 30 thousand cubic metre reduction in Interfor's AAC in 2000, representing a change of less than one percent.

In most cases, there are factors that exert both a positive and a negative impact on timber supply. Some overall reductions to timber supply are expected to occur as a result of new park additions and harvesting regulations that further constrain access to timber.

Land Use Decisions and Treaty Settlements

Interfor operates on public forest lands in BC, which are subject to Provincial Government decisions on land use and treaty settlements. A land use planning process for the Central Coast Region of BC is expected to be completed by the Provincial Government in 2001. The treaty settlement process is ongoing and various settlement offers may be forthcoming in the years ahead. The loss of harvesting rights due to both land use decisions and treaty settlements would be subject to the compensation provisions contained within Provincial legislation. It is impossible at this time to determine the extent or effect on the Company of any loss of harvesting rights due to treaty settlements on the land use decisions.

Stumpage Fees

Stumpage is the fee the BC Government charges companies to harvest timber from Crown Land. The amount of stumpage paid for each cubic metre of wood harvested is based on a target rate set by government. Stumpage payments for harvesting areas are managed to take into consideration specific operating conditions, timber quality and administrative procedures. Periodic changes in the Provincial Government's administrative policy can affect stumpage costs and the viability of individual logging operations.

Interfor believes that changes to the stumpage system are necessary to create fairness and equity in government's pricing of timber. The current stumpage system does not recognize the changes in operating costs associated with changes in government regulations. Amending the stumpage system is complex and involves lumber trade issues between Canada and the U.S. The complexity of the stumpage system and the potential for change precludes the ability to predict future stumpage rates.

Environmental Campaigns

Customers of BC wood producers are being confronted by environmental activists who are campaigning against the use of wood from mature (old growth) forests. This activity in the marketplace has prompted some customers to seek assurance that the products they buy come from well-managed forests. Interfor has certified all of its forest operations to meet world class environmental standards and is working with its customers to help them make informed, environmentally responsible purchasing decisions.

OUTLOOK FOR 2001

The U.S. has entered 2001 amidst considerable economic uncertainty and declining consumer confidence. In response, most forecasters are calling for U.S. housing starts to fall to approximately 1.5 million units in 2001 from 1.6 million units in 2000. Prices for SPF 2x4 which closed 2000 below U.S. \$200 per thousand board feet is expected to remain weak throughout the year.

The Japanese economy recorded its strongest performance in recent years in 2000 but remains fragile and at risk to deterioration. Housing starts in 2001 are expected to remain in the range of 1.15 to 1.20 million for the 3rd consecutive year. The market for green structural products in Japan is expected to continue to erode as more kiln dried products and additional supply from Scandinavia and Europe enter the market. In addition, the recent weakness in the value of the Yen, if sustained, could have a negative impact on market pricing.

Demand for cedar products is expected to remain reasonably strong in 2001, although reduced levels of housing activity and the pricing of substitute products will likely place downward pressure on product prices.

The improvement in pulp markets stalled in mid-2000 and is showing signs of deterioration as market inventories increase. Most analysts expect pulp prices to decline from current levels in 2001. Chip prices are tied to pulp prices via formula and will rise or fall from current levels based on pulp mill sales realizations.

The weak market environment is expected to negatively impact Interfor's revenue base and could result in a reduced use of capacity in 2001. In response, Interfor will focus on achieving further gains in operating efficiency and cost reduction and will pursue strategies to enhance the Company's ability to achieve acceptable long-term profitability, which could include growth through acquisition if appropriate opportunities arise.



International Forest Products Limited

CONSOLIDATED FINANCIAL STATEMENTS

Management Responsibility For Financial Statements

The management of International Forest Products Limited (Interfor) is responsible for preparing the accompanying consolidated financial statements. The financial statements were prepared in accordance with Canadian generally accepted accounting principles and are necessarily based in part on management's best estimates and judgements. The financial information included elsewhere (in the Statutory Reports) is consistent with that in the consolidated financial statements.

Interfor maintains a system of internal accounting control which management believes provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements. The internal accounting control process includes communications to employees of Interfor's standards for ethical business conduct.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility through its Audit Committee, the members of which are neither officers nor employees of Interfor. The Committee meets periodically with management and the independent Auditors to satisfy itself that each group is properly discharging its responsibilities and to review the consolidated financial statements and the independent Auditors' report. The Company's Auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders. The Committee also makes recommendations to the Board with respect to the appointment and remuneration of the Auditors.

The consolidated financial statements have been examined by the independent Auditors, KPMG LLP and their report follows.

A handwritten signature in black ink, appearing to read "D.K. Davies".

D.K. Davies

President and Chief Executive Officer

A handwritten signature in black ink, appearing to read "L.D. Cocke".

L.D. Cocke

Corporate Controller

January 15, 2001



International Forest Products Limited

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of International Forest Products Limited as at December 31, 2000 and 1999 and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia) we report that, in our opinion, these principles have been applied on a consistent basis.

KPMG LLP

Chartered Accountants

Vancouver, Canada

January 15, 2001

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Balance Sheets

December 31, 2000 and 1999

	2000	1999
	(thousands of dollars)	
Assets		
Current assets:		
Cash and cash equivalents	\$ —	\$ 2,846
Accounts receivable	25,495	32,816
Income taxes recoverable	—	124
Inventories (note 2)	107,128	115,407
Prepaid expenses	6,445	5,613
Future income taxes (note 8)	8,737	10,422
	147,805	167,228
Investments and other assets:		
Investments and advances (note 3)	24,617	23,884
Future income taxes (note 8)	—	9,209
Deferred financing fee, net of accumulated amortization	461	1,045
	25,078	34,138
Capital assets:		
Property, plant and equipment (note 4)	337,930	381,675
Less accumulated depreciation	206,583	248,626
	131,347	133,049
Timber and logging roads, net of accumulated depletion and amortization	108,691	126,527
	240,038	259,576
	\$ 412,921	\$ 460,942
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 3,904	\$ —
Accounts payable and accrued liabilities	99,316	95,030
Income taxes payable	341	—
Principal due within one year on long-term debt (note 5)	—	1,293
	103,561	96,323
Reforestation liability, net of current portion	21,438	16,967
Long-term debt (note 5)	—	85,790
Other long-term liabilities	13,444	11,693
Future income taxes (note 8)	9,106	—
Shareholders' equity:		
Share capital (note 6):		
Issued and fully paid:		
Class A subordinate voting shares	204,497	224,949
Class B common shares	4,080	4,080
	208,577	229,029
Contributed surplus	8,043	—
Retained earnings	48,752	21,140
	265,372	250,169
Commitments and contingencies (note 9)		
	\$ 412,921	\$ 460,942

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Operations

Years ended December 31, 2000 and 1999

	2000	1999
	(thousands of dollars)	
Sales	\$ 745,617	\$ 661,060
Costs and expenses:		
Production	631,024	553,534
Selling and administration	15,129	11,853
Depreciation	18,426	18,276
Depletion and amortization	36,438	44,456
Restructuring costs and capital asset write-downs (recoveries)(note 7)	(3,561)	79,514
	697,456	707,633
Operating earnings (loss)	48,161	(46,573)
Interest expense on long-term debt	(1,674)	(7,050)
Other interest expense	(1,287)	(1,133)
Other income	790	213
BC Corporation capital tax	(945)	(1,084)
Equity in earnings of investee companies	3,467	4,392
	351	(4,662)
Earnings (loss) before income taxes	48,512	(51,235)
Income taxes (recovery) (note 8):		
Current	900	1,200
Future	20,000	(21,100)
	20,900	(19,900)
Net earnings (loss)	\$ 27,612	\$ (31,335)
Net earnings (loss) per share (note 10)	\$ 0.81	\$ (0.89)

See accompanying notes to consolidated financial statements.

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Retained Earnings

Years ended December 31, 2000 and 1999

	2000	1999
	(thousands of dollars)	
Retained earnings, beginning of year	\$ 21,140	\$ 52,475
Net earnings (loss)	27,612	(31,335)
Retained earnings, end of year	\$ 48,752	\$ 21,140

See accompanying notes to consolidated financial statements.

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Cash Flows

Years ended December 31, 2000 and 1999

	2000	1999
	(thousands of dollars)	
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	\$ 27,612	\$ (31,335)
Items not involving cash:		
Depreciation, depletion and amortization	54,864	62,732
Future income taxes	20,000	(21,100)
Reforestation liability	4,471	1,941
Other long-term liabilities	1,751	5,821
Equity in earnings of investee companies	(3,467)	(4,392)
Write-down of capital assets	—	58,917
Other	(3,602)	(213)
	101,629	72,371
Cash generated from (used in) operating working capital:		
Accounts receivable	7,321	(1,539)
Income taxes payable	465	1,617
Inventories	8,279	15,253
Prepaid expenses	(832)	249
Accounts payable and accrued liabilities	4,286	9,225
	121,148	97,176
Investing activities:		
Additions to property, plant and equipment	(22,379)	(6,640)
Logging roads and timber	(30,253)	(24,792)
Disposal of capital assets	21,508	1,413
Investments and other assets	2,718	7,262
	(28,406)	(22,757)
Financing activities:		
Repurchase of capital stock	(12,409)	—
Decrease in long-term debt	(87,083)	(73,339)
Increase in bank indebtedness	3,904	—
	(95,588)	(73,339)
Increase (decrease) in cash	(2,846)	1,080
Cash and cash equivalents, beginning of year	2,846	1,766
Cash and cash equivalents, end of year	\$ —	\$ 2,846
Supplemental disclosures:		
Cash interest paid	\$ 2,961	\$ 8,183
Cash income taxes paid	900	1,200

See accompanying notes to consolidated financial statements.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Consolidated Financial Statements

Years ended December 31, 2000 and 1999

1. Significant accounting policies:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company's wholly owned subsidiaries Helifor Industries Limited, Interfor Japan Ltd., 372624 BC Ltd. and Westminster Wood Products Ltd.

(b) Inventories:

Inventories have been valued at the lower of cost and net realizable value.

(c) Investments and advances:

Investments over which the Company is able to exert significant influence are accounted for on the equity basis. Other investments are accounted for on the cost basis.

(d) Capital assets:

Property, plant and equipment and timber and logging roads are recorded at cost. Depreciation on plant and equipment is provided on a straight-line basis during periods of production at rates (ranging from 5% to 20%) based on the estimated useful lives of the assets. Timber licence depletion and road amortization are computed on the basis of timber cut relative to available timber. Tree farm and forest licences are depleted on a straight-line basis over 40 years.

(e) Reforestation liability:

The British Columbia Forest Act requires the Company to incur the cost of reforestation on its forest and timber licences. Accordingly, the Company records the estimated cost of reforestation as the timber is cut. These costs are included in the cost of current production.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of reforestation, road deactivation and environmental obligations, recoverability of assets and rates for depreciation, depletion and amortization. Actual results could differ from those estimates.

(g) Share-based compensation plans:

The Company has an employee share option plan for its key employees and directors, which is described in note 6. No compensation expense is recognized for this plan when shares or share options are issued to employees. Any consideration paid by employees on exercise of share purchase options or purchase of shares is credited to share capital.

(h) Income taxes:

Income taxes are accounted for under the asset and liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. When the realization of future tax assets is not considered to be more likely than not, a valuation allowance is provided.

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Operations

Years ended December 31, 2000 and 1999

2. Inventories:

	2000	1999
	(thousands of dollars)	
Logs	\$ 79,689	\$ 86,543
Lumber	25,297	27,088
Other	2,142	1,776
	\$ 107,128	\$ 115,407

3. Investments and advances:

	2000	1999
	(thousands of dollars)	
Seaboard Shipping Company Limited	\$ 23,853	\$ 23,111
Other	764	773
	\$ 24,617	\$ 23,884

During the year, the Company recorded \$3,467,000 (1999 - \$4,392,000) in equity earnings and received \$2,725,000 (1999 - \$3,532,000) in cash distributions from investee companies.

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Operations

Years ended December 31, 2000 and 1999

4. Property, plant and equipment:

2000	Cost	Accumulated depreciation	Net book value
		(thousands of dollars)	
Land	\$ 25,253	\$ —	\$ 25,253
Buildings	63,978	37,784	26,194
Machinery and equipment	196,404	133,003	63,401
Automotive equipment	16,090	13,281	2,809
Other	36,205	22,515	13,690
	\$ 337,930	\$ 206,583	\$ 131,347

1999	Cost	Accumulated depreciation	Net book value
		(thousands of dollars)	
Land	\$ 26,550	\$ —	\$ 26,550
Buildings	74,230	48,316	25,914
Machinery and equipment	237,656	166,953	70,703
Automotive equipment	15,844	13,642	2,202
Other	27,395	19,715	7,680
	\$ 381,675	\$ 248,626	\$ 133,049

5. Bank indebtedness and long-term debt:

(a) Bank indebtedness:

The Company has available operating lines of credit totalling \$60,000,000 (1999 - \$90,000,000), of which \$56,100,000 (1999 - \$90,000,000) was unused at December 31, 2000. The operating loan bears interest at bank prime plus a premium depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances. The lines of credit are secured and are subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization.

(b) Long-term debt:

	2000	1999
	(thousands of dollars)	
Bank term loans	\$ —	\$ 83,000
Note payable	—	3,937
Obligation under capital leases	—	146
	—	87,083
Less principal included in current liabilities	—	1,293
	\$ —	\$ 85,790

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Operations

Years ended December 31, 2000 and 1999

5. Bank indebtedness and long-term debt (continued):

(b) Long-term debt (continued):

The Company has available a revolving term line of credit totalling \$90,000,000 (1999 - \$135,000,000), of which \$90,000,000 (1999 - \$52,000,000) was unused at the year-end. The term loan bears interest at rates based on bank prime plus a premium, depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances. The available term line of credit matures on May 24, 2003, with a provision for extension available.

6. Share capital:

Authorized capital at December 31, 2000 and 1999 consists of:

100,000,000 Class A subordinate voting shares without par value

1,700,000 Class B common shares without par value

5,000,000 preference shares without par value

Share transactions during 2000 and 1999 were as follows:

	Number			Amount
	Class A	Class B	Total	
Balance at December 31, 1999 and 1998	34,173,262	1,015,779	35,189,041	\$ 229,029,350
Share repurchases	(3,107,000)	—	(3,107,000)	(20,452,126)
Balance at December 31, 2000	31,066,262	1,015,779	32,082,041	\$ 208,577,224

The first 13-1/3¢ per share per annum of dividends to common shareholders declared are paid on the Class A shares. Any additional dividends must be declared in equal per share amounts on the Class A and B shares.

The Class B shares (carrying ten votes per share) are exchangeable into Class A shares (carrying one vote per share) at any time at the option of the holder or, under certain conditions which will result in the automatic conversion of the Class B shares into Class A shares, on the basis of one Class A share for one Class B share.

On February 16, 2000, the Company commenced a normal course issuer bid to acquire up to 3,294,369 Class A shares (representing approximately 9.64% of the outstanding Class A shares) through the facilities of the Toronto Stock Exchange. Purchases are made at market prices with a maximum of two percent of the outstanding shares being purchased in any 30-day period. During 2000 the Company acquired 3,107,000 Class A at a total cost of \$12,408,713 and the shares were cancelled as purchased. The excess of the assigned value of the shares over the cost totaled \$8,043,413 and has been credited to contribute surplus in the year ended December 31, 2000. The program terminates on February 15, 2001.

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Operations

Years ended December 31, 2000 and 1999

6. Share capital (continued):

The Company has an employee share option plan for its key employees and directors. The vesting of the options occurs at a rate of 40% two years after granting and 20% per annum thereafter. Options expire ten years after the date of the grant. Options outstanding at December 31, 2000 are exercisable at prices ranging from \$3.90 to \$10.35 per share, the closing market price for the shares on the dates that the options were granted. The options expire at various dates between February 20, 2001 and January 30, 2010.

Details of the Company's share option plan for the years ended December 31, 2000 and 1999 are as follows:

	2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,415,700	\$ 5.83	609,300	\$ 7.06
Granted	569,400	4.85	865,000	5.00
Exercised	—	—	—	—
Expired or cancelled	(138,900)	7.07	(58,600)	6.50
Outstanding, end of year	1,846,200	\$ 5.43	1,415,700	\$ 5.83
Options exercisable at year end	337,660	\$ 7.53	323,640	\$ 8.31

Range of Exercise Prices	Number Outstanding At 12/31/00	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Option Life (yrs)	Weighted Average Exercise Price	Number Exercisable At 12/31/00	Weighted Average Exercise Price
\$3.90-\$5.00	1,541,300	8.6	\$ 4.83	64,000	\$ 3.90
\$7.25-\$8.63	221,800	1.1	8.19	221,800	8.19
\$9.00-\$10.35	83,100	6.5	9.16	51,860	9.21
	1,846,200		\$ 5.43	337,660	\$ 7.53

At December 31, 2000, Class A shares are reserved for possible future issuance as follows:

- (a) 1,015,779 Class A shares are reserved for the conversion of Class B shares; and
- (b) 2,690,100 Class A shares are reserved for possible issuance pursuant to the share option plan.

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Operations

Years ended December 31, 2000 and 1999

7. Restructuring costs and capital asset write-downs (recoveries):

In July 1999, the Company made a decision to sell the Flavelle cedar mill or permanently close the mill effective December 31, 1999. The Company recorded a \$35 million write-down of the mill to its estimated net realizable value. The Company also continued its sawmill and logging operation rationalization programs and provided for severance and other restructuring costs and capital asset write-downs to reflect obsolete equipment and capitalized roads given the Company's anticipated operating conditions.

The Company recorded restructuring costs and capital asset write-downs (recoveries) consisting of the following:

	2000	1999
	(thousands of dollars)	
Capital asset write-downs (recoveries)	\$ (3,561)	\$ 58,917
Severance and other restructuring costs	—	20,597
	\$ (3,561)	\$ 79,514

8. Income taxes:

Future income taxes are determined as follows:

	2000	1999
Future income tax assets:		
Losses carried forward	\$ 11,484	\$ 25,309
Restructuring and other reserves	22,472	22,403
Other	1,016	3,170
	34,972	50,882
Valuation allowance	—	—
	34,972	50,882
Future income tax liabilities:		
Capital assets	(35,341)	(31,251)
	\$ (369)	\$ 19,631
Current future income tax assets	\$ 8,737	\$ 10,422
Non-current future income tax assets (liabilities)	(9,106)	9,209
	\$ (369)	\$ 19,631

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Operations

Years ended December 31, 2000 and 1999

8. Income taxes (continued):

The Company's effective income tax rate is determined as follows:

	2000	1999
Basic federal and provincial tax rate	45.6%	45.6%
Manufacturing and processing allowance	(4.9)	(5.7)
Large corporations tax	0.6	(1.8)
Other	4.7	(2.2)
	46.0%	35.9%

The Company's provision for income taxes (recovery) is determined as follows:

	2000	1999
	(thousands of dollars)	
Earnings (loss) before income taxes	\$ 48,512	\$ (51,235)
Equity in earnings of investee companies	(3,467)	(4,392)
Non-deductible expenses and other	397	197
Accounting earnings (loss)	\$ 45,442	\$ (55,430)
Income taxes (recovery) at 46.0% (1999 - 35.9%)	\$ 20,900	\$ (19,900)

9. Commitments and contingencies:

(a) Operating leases:

The Company is obligated under various operating leases requiring minimum annual rental payments in each of the next five years as follows:

2001	\$ 8,179,000
2002	2,531,000
2003	1,780,000
2004	1,382,000
2005	956,000

(b) Contingencies:

The Company is subject to a number of claims arising in the normal course of business in respect of which either an adequate provision has been made or for which no material liability is expected.

10. Net earnings (loss) per share:

A net earnings (loss) per share is calculated using the weighted average number of shares outstanding during the respective fiscal years.

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Operations

Years ended December 31, 2000 and 1999

11. Pension plans:

The Company contributes to a defined contribution retirement plan for its salaried employees on a current service basis.

The Company also contributes to pension plans for most of its hourly employees under the terms of various agreements. The Company's obligation to the pension plans for hourly employees is limited to the contribution rate specified in those agreements.

The Company is current on all required contributions under these plans.

12. Related party transactions:

Lumber sales to an affiliate of a significant shareholder amounted to \$3,356,591 (1999 - \$3,816,000). These transactions were conducted on a normal commercial basis, including terms and prices.

13. Segmented information:

The Company manages its business as a single operating segment, solid wood. The Company harvests logs, which are sorted by species, size and quality and then manufactured into lumber products at the Company's sawmills, or sold. All operations are located in British Columbia, Canada.

The Company sells to both foreign and domestic markets as follows:

	2000	1999
	(thousands of dollars)	
Canada	\$ 337,674	\$ 303,212
United States	182,104	154,113
Japan	162,269	153,856
Other export	63,570	49,879
	\$ 745,617	\$ 661,060

Sales by product line are as follows:

	2000	1999
	(thousands of dollars)	
Lumber	\$ 517,689	\$ 446,138
Logs	168,532	168,693
Wood chips and other by products	39,477	24,146
Other	19,919	22,083
	\$ 745,617	\$ 661,060

INTERNATIONAL FOREST PRODUCTS LIMITED

Consolidated Statements of Operations

Years ended December 31, 2000 and 1999

14. Financial instruments:

(a) Fair value of financial instruments:

The fair value of the Company's long-term debt at December 31, 1999, including the portion due within one year, approximates its carrying value of \$87,084,000 as the majority of the long-term debt bears interest at current market rates. The fair values of other financial instruments approximate their carrying values due to their short-term nature.

(b) Derivative financial instruments:

The Company employs financial instruments, such as interest rate swaps and foreign currency forward and option contracts, to manage exposure to fluctuations in interest rates and foreign exchange rates. The Company does not expect any credit losses in the event of non-performance by counter parties, as the counter parties are the Company's bankers.

(i) Foreign currency contracts:

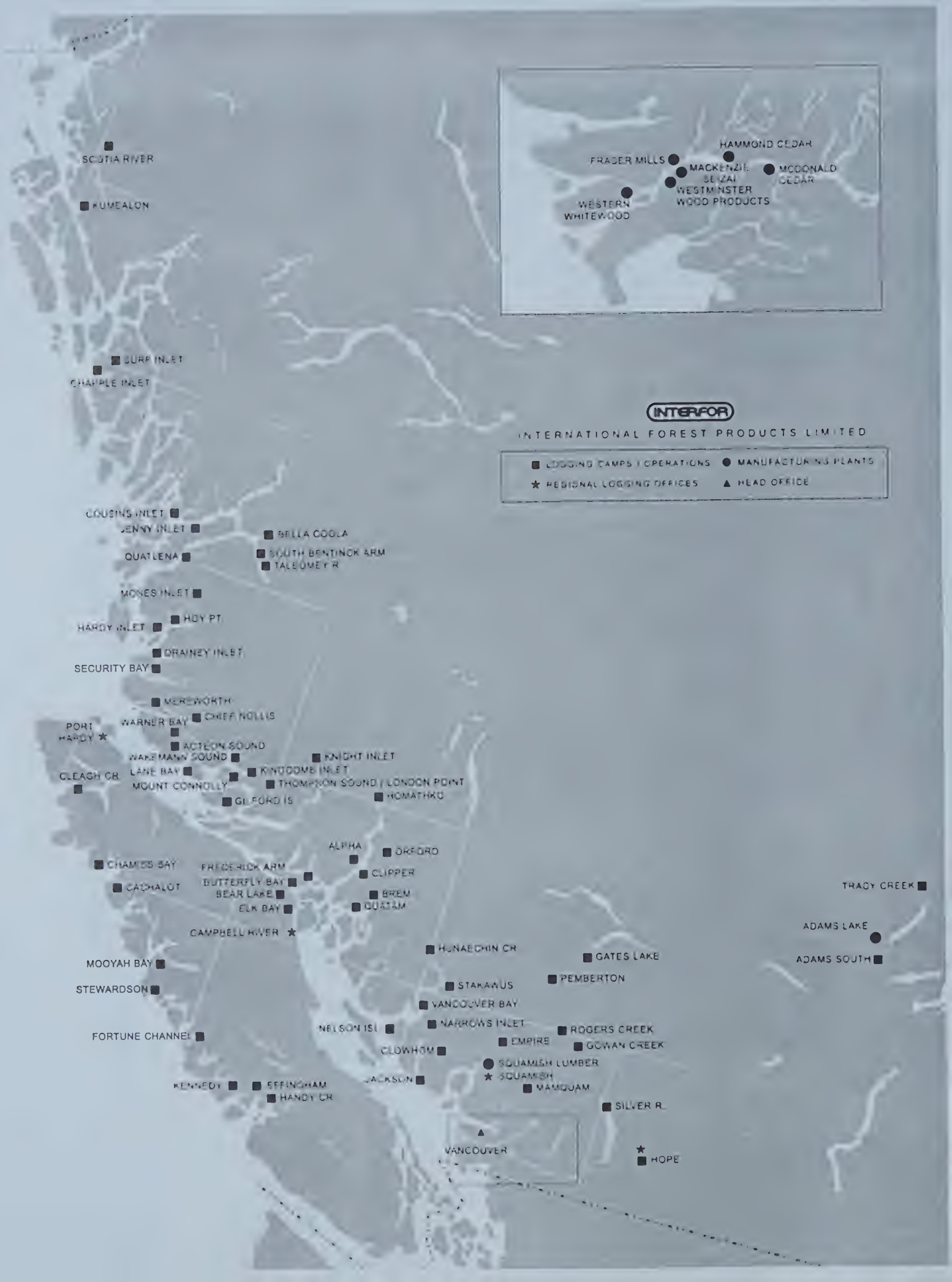
In order to reduce the potential negative effect of a rising Canadian dollar, the Company has entered into various hedging arrangements. As at December 31, 2000, the Company has outstanding obligations to sell a maximum of US\$69,000,000 at an average rate of CDN\$1.51 and Japanese ¥389,000,000 at an average rate of ¥69.8 to the CDN\$ during 2001. Based on the exchange rates at December 31, 2000, there was no significant unrealized gain or loss with respect to these hedging arrangements.

(ii) Interest rate swaps:

The Company has entered into swap agreements to fix the interest rate on a portion of its floating rate debt. At December 31, 2000, the Company had \$10,000,000 of floating rate debt swapped against debt with a fixed interest rate of 5.4%, plus applicable stamping fees, under an agreement expiring in November 2001. The current estimated fair value of the interest rate swaps in the prevailing market conditions is not significant.

(c) Sale of receivables:

During 2000, the Company entered into a replacement agreement to sell designated trade receivables, with limited recourse, to a Trust. As these trade receivables are collected, they are replaced by new receivables to maintain the aggregate outstanding balance. At December 31, 2000, the Company received cash proceeds of \$25,000,000 (1999 - \$25,000,000) from the sale.



SCOTIA RIVER

RUMELON

SURF INLET

CHAPLE INLET

COUSINS INLET

JENNY INLET

QUATLENA

MONES INLET

HARDY INLET

HOY PT

DRAINEY INLET

SECURITY BAY

MEREWORTH

WARNER BAY

CHIEF HOLLIS

ACTEON SOUND

WARMAN SOUND

LANE BAY

MOUNT CONNOLLY

KINDOMBE INLET

GILFORD IS

KNIGHT INLET

THOMPSON SOUND / LONDON POINT

HOMATHKU

CHAMBERS BAY

CACHALOT

FREDERICK ARM

BUTTERFLY BAY

BEAR LAKE

ELK BAY

CAMPBELL RIVER

ALPHA

ORFORD

CLIPPER

BREM

QUATAM

MOOYAH BAY

STEWARTSON

FORTUNE CHANNEL

KENNEDY

EFFINGHAM

HANDY CR

JACKSON

HUNAECHIN CR

STAKANUS

VANCOUVER BAY

NARROWS INLET

CLOWHOM

EMPIRE

ROGERS CREEK

SQUAMISH LUMBER

SQUAMISH

MANQUAM

SILVER R.

VANCOUVER

HOPE

ADAMS LAKE

ADAMS SOUTH

TRACY CREEK

FRASER MILLS

HAMMOND CEDAR

MACKENZIE

SEIZAI

WESTMINSTER

WOOD PRODUCTS

MCDONALD CEDAR

WESTERN WHITEWOOD

INTERFOR

INTERNATIONAL FOREST PRODUCTS LIMITED

■ LOGGING CAMPS / OPERATIONS

● MANUFACTURING PLANTS

★ REGIONAL LOGGING OFFICES

▲ HEAD OFFICE



International Forest Products Limited

ANNUAL INFORMATION FORM

Dated as of March 1, 2001

DESCRIPTION OF THE BUSINESS

International Forest Products Limited is one of western Canada's largest logging and sawmilling companies producing a diversified range of quality wood products for sale to world markets. It harvests timber and manufactures and markets lumber products, logs, and wood chips. The Company has 59 logging operations and five sawmills in the southern coastal region of British Columbia and has one logging operation and one sawmill in the central interior region.

The Company was continued under the Company Act (British Columbia) by amalgamation on December 1, 1979 with its subsidiary, Whonnock Forest Products Limited. Its principal office as well as its registered and records offices are located at Suite 3500, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1H7.

In this document, a reference to the "Company" or "Interfor" means International Forest Products Limited and its predecessors and all its subsidiaries. The three subsidiaries, Helifor Industries Limited, Westminster Wood Products Ltd. and Interfor Japan Ltd., whose operations are described below, are wholly-owned and controlled by Interfor and incorporated under the laws of British Columbia.

HISTORY

Interfor's business originated in the 1930s with a sawmill in Whonnock, about 48 kilometers east of Vancouver. The mill utilized timber from logging operations in nearby forest areas. Since that time, the Company has made significant investments to expand and upgrade its production facilities and timber base and increase annual lumber capacity through the acquisition of companies with manufacturing plants and timber resources.

In 1971, the Company expanded geographically from the coastal region to the central interior of British Columbia by acquiring Holding Lumber Company Limited which owned and operated a sawmill in the central interior of British Columbia at Adams Lake near Kamloops. In 1976, Interfor acquired the Pacific Pine Division of Triangle Pacific Forest Products Ltd. in New Westminster.

In 1977, Sauder Industries Limited acquired a controlling interest in the Company (since transferred to Mountclair Investment Corporation, a Sauder family holding company). During the following two years Interfor acquired further sawmills and timber rights by the purchase of McDonald Cedar Products Ltd. and Bay Forest Products Ltd.

In November, 1980, to increase future log supply and to diversify into pulp, Interfor participated equally with two other forest companies in organizing Western Forest Products Limited ("WFP") which acquired the British Columbia timber and manufacturing facilities of ITT Industries of Canada Limited. During 1981, Interfor commenced leasing the Silvertree mill from WFP and purchased the sawmilling assets of Imp-Pac Lumber Ltd., which are now operated as MacKenzie Seizai.

In December 1983, the Company was required to close the Bay Forest Products sawmill to allow for development of the Expo '86 site in Vancouver. In March 1984, Interfor acquired from CIPA Industries Ltd. a sawmill (since renamed the Bay Lumber sawmill) at Pitt Meadows, 30 kilometres east of Vancouver. In the same transaction, Interfor acquired three coastal logging operations and related timber holdings.

By the mid 1980s, the Company had completed 25 acquisitions of timber, logging operations, and mills over a period of only 10 years.

During the period 1986 through 1989, Interfor implemented a \$120 million capital expenditure program. This program was designed to lower manufacturing costs and to better utilize the supply of small logs from its timber base. It included the construction of a Linck System on its Pacific Pine site in New Westminster. The new mill was named Western Whitewood. The program also included significant modifications to the Bay Lumber sawmill in Pitt Meadows and the McDonald Cedar sawmill in Fort Langley.

In 1988, the Company changed its name from Whonnock Industries Limited to International Forest Products Limited and adopted the trademark "INTERFOR". The new name identified the business of the Company and better reflected the international scope of its markets.

In 1989, the Company disposed of its interest in WFP, including its leasehold interest in the Silvertree sawmill.

In December, 1991, Interfor acquired from Fletcher Challenge Canada Limited and Crown Forest Industries Limited substantial timber tenures and cutting rights, a sawmill and a planer mill at Coquitlam, British Columbia and a cedar sawmill and planer mills at Maple Ridge, British Columbia together with 20 logging operations.

In December, 1992, Interfor closed the Pioneer Lumber sawmill as a result of a reduction to the Company's annual cutting rights.

In February, 1995, Interfor acquired from Weldwood of Canada Limited timber tenures representing approximately 976,000 cubic metres of annual cutting rights, a sawmill and planer mill at Squamish, British Columbia and a cedar sawmill and planer mills at Port Moody, British Columbia, together with related logging operations.

During 1996, the large log cedar sawmill acquired from Weldwood was closed and a small log cedar sawmill was constructed in its place. The new mill began operating in mid-1997. During 1996 the Company also permanently closed the Bay Lumber Sawmill in Pitt Meadows which had been operating well below capacity.

During October 1997, the McDonald Cedar Sawmill was closed. A Western Red Cedar value-added plant was constructed on the site during 1998.

In June, 1998, the Company began a restructuring program which included aggressive cost cutting measures through simplifying and streamlining the Company's logging and sawmilling operations and administrative procedures. It also involved rationalizing the Company's production capacity to correspond with its timber supply and markets. As a result, the Flavelle sawmill was sold and several other mills experienced changes in the roles they were assigned including the products they produced.

Interfor's expansion since 1970 has increased its annual lumber production capacity, based on two shifts per day and 250 days of operation per year, from approximately 65 million board feet to approximately 750 million board feet and increased its average annual timber harvest from approximately 300,000 cubic metres to over 3.6 million cubic metres.

TIMBER AND LOGGING

Timber Supply

The Province of British Columbia owns 95% of all timber lands in the Province and regulates forestry operations on these lands under the Forest Act and the Forest Practices Code. The Forest Act empowers the Minister of Forests to grant timber tenures including Forest Licences, Tree Farm Licences, and Timber Licences.

A Forest Licence grants the right to cut a specific volume of timber on public lands in a managed forest area called a Timber Supply Area. A Forest Licence has a term not exceeding 20 years (usually 15 years) and is renewable every five years for a 15 year term subject to satisfactory performance by the licensee of its cutting and reforestation obligations as determined by the Ministry of Forests.

A Tree Farm Licence is granted to a licensee that undertakes to manage an area of timber land to yield an annual harvest on a sustainable basis. A Tree Farm Licence is granted for a term of 25 years and is renewable every five years for those whose term commenced after July 1, 1993 and for ten years for those whose term

commenced before July 1, 1993 for a further 25 year term subject to satisfactory performance by the licensee of its cutting and reforestation obligations as determined by the Ministry of Forests.

A Timber Licence grants the licensee the right to cut merchantable timber from a prescribed area of Crown Land over a specified term and is not renewable but may be extended by the Minister of Forests. The term of each Timber Licence was negotiated between the Ministry of Forests and the licensee and was designed to allow sufficient time for the orderly harvesting of the merchantable timber on the Timber Licence. The Ministry has allowed extensions to the terms of existing Timber Licences because harvest rates necessary to meet the original targets are sometimes considered to be environmentally undesirable.

Under Tree Farm Licences and Forest Licences an allowable annual cut ("AAC") is determined by the Ministry of Forests. The cut in any one year may vary up to 50% above or below the AAC, as long as the average annual cut over a five-year period is within 10% of the specified AAC for that period.

The forest Act requires, with limited exceptions, that the British Columbia Minister of Forests' prior written consent be obtained for a change in control of a company that holds a Crown granted forest tenure. If the Minister determines that there has been a failure to obtain the Minister's prior written consent to a change of control, the Minister may cancel the forest tenures. Subject to limited exceptions, if the Minister gives his consent to a change of control, the AAC for replaceable Forest Licences and Tree Farm Licences is reduced by five percent and, in the case of Timber Licences, a payment equal to five percent of the current appraised value of the timber must be paid to the Crown. Control of a corporation means the ability to elect 50% or more of the directors or otherwise effectively control the operations of the corporation.

In the coastal region, Interfor holds four Tree Farm Licences and ten renewable Forest Licences in eight Timber Supply Areas authorizing it to harvest 3,198,000 cubic metres of Crown timber each year. This volume includes 103,000 cubic metres of Crown timber currently unavailable to the Company because of an access dispute in TFL 10 with a local Indian band. This dispute comes from and predates Interfor's acquisition of the Weldwood coastal tenures. Additionally, Interfor holds the cutting rights on coastal Timber Licences on which it intends to cut approximately 167,000 cubic metres of timber in 2001. These cutting rights include 36 Timber Licences containing approximately 7.4 million cubic metres of harvestable timber which were purchased from TimberWest Forest Limited during 1997. Since the annual volume from these tenures is unregulated it provides the Company with the flexibility to schedule its harvesting based on log markets, thus allowing the maximization of its value. These Timber Licences replace two Market Logging Agreements under which the Company had previously harvested a similar quantity of timber.

In the interior region, Interfor holds one renewable Forest Licence authorizing it to harvest 250,000 cubic metres of Crown timber each year. In addition, Interfor holds two Timber Licences under which it intends to cut approximately 20,000 cubic metres of logs per year for the next five years.

The log requirements of Interfor's coastal mills are met using logs harvested from its timber tenures, by long term trade and purchase agreements, and by purchases on the open market. Logs produced but unsuitable for use in Interfor's mills are either traded for suitable logs or sold on the open market. The required minimum proportion of logs purchased on the open market is approximately 25% of coastal log consumption.

Interfor's cutting rights in the interior region provide about 50% of its interior mill requirements. Additional mill requirements are purchased from private landowners, independent loggers and other forest products companies.

Interfor's long-term coastal timber supply consists of a species mix of approximately 58% hemlock-balsam, 26% western red cedar, 9% Douglas fir, 3% spruce, and 4% cypress. Over the next 25 years, a majority of its logs harvested in the coastal region will be harvested from old growth timber stands from which premium grades of lumber can be produced.

In the interior, Interfor's long-term timber supply consists of a species mix of approximately 15% hemlock-balsam, 11% western red cedar, 27% Douglas fir, 35% white spruce, and 12% pine.

The following tables show Interfor's AAC under its Forest and Tree Farm Licences and other cutting rights and the volume of timber harvested under Interfor's Forest and Timber Licences and other cutting rights in each region for the periods specified. They also show the volume of purchases, sales, and consumption during that period.

	Years ended December 31					
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
	(thousands of cubic metres)					
Annual Allowable Cut						
— Forest Licences	2,782	2,811	2,845	2,845	2,815	3,100
— Tree Farm Licences	666	666	666	666	666	718
— Discretionary Annual Harvest Levels(1)	<u>187</u>	<u>180</u>	<u>180</u>	<u>180</u>	<u>200</u>	<u>325</u>
	<u>3,635</u>	<u>3,657</u>	<u>3,691</u>	<u>3,691</u>	<u>3,681</u>	<u>4,143</u>
Actual Cut						
Coast						
— Tree Farm Licences		538	611	360	506	478
— Forest Licences		2,404	2,289	1,999	2,135	2,510
— Timber Licences & other cutting rights (1)		<u>192</u>	<u>307</u>	<u>105</u>	<u>282</u>	<u>356</u>
		<u>3,134</u>	<u>3,207</u>	<u>2,464</u>	<u>2,923</u>	<u>3,344</u>
Interior						
— Forest Licence		252	231	276	276	233
— Timber Licences (1)		<u>21</u>	<u>11</u>	<u>78</u>	<u>38</u>	<u>71</u>
		<u>273</u>	<u>242</u>	<u>354</u>	<u>314</u>	<u>304</u>
Total Actual Cut		<u>3,407</u>	<u>3,449</u>	<u>2,818</u>	<u>3,237</u>	<u>3,648</u>
Purchases		<u>1,093</u>	<u>950</u>	<u>586</u>	<u>1,160</u>	<u>1,184</u>
		<u>4,500</u>	<u>4,399</u>	<u>3,404</u>	<u>4,397</u>	<u>4,832</u>
Log Utilization						
— Consumption		2,729	2,469	2,394	2,797	3,236
— Pulp Logs Chipped		20	31	58	43	61
— Sales		<u>1,803</u>	<u>1,992</u>	<u>1,506</u>	<u>1,528</u>	<u>1,217</u>
Total		<u>4,552</u>	<u>4,492</u>	<u>3,958</u>	<u>4,368</u>	<u>4,514</u>

(1) Volumes not included in Annual Allowable Cut.

Stumpage

A stumpage charge is assessed by the British Columbia Government on all Crown timber harvested. The amount of stumpage paid on Forest License and Tree Farm License tenures is based on a target rate set by the Government and adjusted on a periodic basis. Individual stumpage rates are calculated for each cutting permit taking into consideration various factors such as species, site and operating costs.

On those lands held under Timber Licences, a fixed royalty is payable when the timber is harvested. Effective April 1, 1995 the method of calculating royalties was changed from a fixed fee to an amount equal to a percentage of the stumpage fee that would have been charged if the tenure had been a Forest Licence. The percentage has increased annually on a straight-line basis and will continue to do so until it reaches 100% on April 1, 2001. Because Timber Licences represent less than 5% of Interfor's cutting rights, the effect of the cost increase has been minimal for the Company.

Stumpage and royalty payments in relation to profitability is shown below for the periods specified.

	Years ended December 31				
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
	(thousands of dollars)				
Earnings (loss) before stumpage and income taxes	\$ 77,465	\$ (15,378)	\$(49,072)	\$67,165	\$38,716
Stumpage and royalty payments	<u>28,953</u>	<u>35,857</u>	<u>47,575</u>	<u>69,236</u>	<u>86,403</u>
Earnings (loss) before income taxes	48,512	(51,235)	(96,647)	(2,071)	(47,687)
Income tax provision (recovery)	<u>20,900</u>	<u>(19,900)</u>	<u>(37,900)</u>	<u>(2,500)</u>	<u>(20,484)</u>
Net earnings (loss)	<u>\$ 27,612</u>	<u>\$(31,335)</u>	<u>\$(58,747)</u>	<u>\$429</u>	<u>\$(27,203)</u>

Forest Management

Interfor is responsible for managing forest resources under license in accordance with the requirements of all governmental laws and regulations. The Company operates in compliance with the Forest Practices Code (implemented in 1995) which is a comprehensive set of government legislation that governs all facets of forestry activities.

The sustainable management of forestry resources within the Company's tenures is guided by a team of qualified staff including Registered Professional Foresters and technicians. Interfor's personnel are engaged in activities such as resource planning and development, harvesting, reforestation, forest protection, and certification.

Interfor recognizes that it must constantly develop new and innovative ways of conducting forestry to meet the changing expectations of society. The Company has developed an Environment Management System to govern and continually improve the sustainable management of its forest resources.

Annual Allowable Cut

The harvest rate on crown land is regulated by Government with an Allowable Annual Cut (AAC) set by the provincial Chief Forester. The Ministry of Forests conducts Timber Supply Reviews on a continuing basis to determine harvest levels for each Timber Supply Area and Tree Farm Licence. Various factors can influence either an increase or decrease in the AAC.

Timber Supply Reviews prior to 2000 have resulted in a cumulative loss of over 700,000 cubic metres of AAC, since 1991. This reduction in volume represents the annual consumption of two medium-sized sawmills. The Company's AAC was reduced by approximately 30,000 cubic metres in 2000, representing a change of less than one percent.

Logging Operations

Interfor and its logging contractors employ approximately 1,500 people in 60 logging operations in British Columbia. Its coastal operations extend from Hope, 165 kilometres east of Vancouver, to Prince Rupert, 850 kilometres northwest of Vancouver. Approximately 50% of the logs harvested under Interfor's annual cutting rights are produced by Company-operated conventional and helicopter logging camps and the balance is produced by independent contractors operating under Interfor's direction.

Interfor's coastal logging operations are grouped into five decentralized business units. These separate business units are able to relate more effectively with the specific requirements of the various geographic regions as well as the needs of the surrounding communities including aboriginal groups.

During the past 20 years, Interfor has made important contributions to the development of helicopter logging techniques to harvest trees from locations that are otherwise economically or environmentally inaccessible. Heli-logging eliminates extensive road building and reduces disturbance in environmentally sensitive areas such as watersheds and coastlines. In 2000, heli-logging by Interfor's subsidiary, Helifor Industries Limited accounted for approximately 29% of the harvest from Interfor's coastal operations. Helifor also provides contract-logging services to other forest products companies.

In order to maximize the value of the log supply in its coastal operations, the Company directs its logs to the most suitable sawmill on the basis of size, species, and quality. This is accomplished by towing logs in booms or on specially designed self-loading and self-dumping barges. When an imbalance exists, Interfor buys, sells, or trades logs to match its mills' requirements.

Interfor also harvests pulp logs, which are generally those logs unsuitable for lumber manufacturing. The Company has also arranged sales of pulp logs in addition to sales of wood chips manufactured by its sawmills to pulp producers in exchange for sawlogs.

During the past five years, Interfor has spent a total of \$227 million on roads, bridges, log sorting areas, logging equipment, and timber purchases. These expenditures were made principally in the coastal region to expand logging areas and improve timber harvesting efficiency and flexibility.

Log Sales

In order to obtain the appropriate species, size, and grade of log to best suit market conditions and a particular mill's cutting capability, the Company must sell logs that are in excess of or unsuitable for its manufacturing requirements. The value of log sales for the past five years is shown in the sales table under "Sales and Marketing".

MANUFACTURING

Interfor operates three manufacturing business units consisting of six sawmills and three remanufacturing facilities. These business units are each headed by a Vice President who interfaces with and is guided by corporate policies and guidelines, particularly with respect to log allocation, marketing and sales activities and corporate culture.

Interfor produces a wide range of products from specialty products through to commodity structural lumber. The mills are capable of cutting logs ranging in diameter from 5 inches to 84 inches. Many of the Company's manufacturing facilities have recently been upgraded and modified to improve the matching of timber resources with customers' lumber requirements.

Rated capacity and production of lumber, by mill, for each of the periods specified, is set out in the following table:

<u>Sawmills</u>	<u>Present Rated Capacity (1)</u>	<u>Years ended December 31</u>				
		<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
		(MMfbm)				
Adams Lake Lumber	130	137	131	107	100	97
Flavelle Cedar (2)	—	—	—	47	34	22
Fraser Mills	160	143	126	130	105	141
Hammond Cedar	160	146	139	123	133	132
MacKenzie Seizai (3) (one shift)	35	34	35	36	41	58
McDonald Cedar (4)	—	—	—	—	30	34
Squamish Lumber (5)	100	89	32	25	51	99
Western Whitewood	<u>170</u>	<u>83</u>	<u>102</u>	<u>83</u>	<u>126</u>	<u>138</u>
Total	<u>755</u>	<u>632</u>	<u>565</u>	<u>551</u>	<u>620</u>	<u>721</u>

(1) Based on two shifts per day and 250 operating days, except as noted.

(2) The existing sawmill was permanently closed on July 1, 1996 and a small log mill was constructed on the site. Start-up began in the second quarter of 1997. The sawmill was temporarily closed again in September, 1998 and sold in January, 2000.

(3) Volumes include custom-cutting. See "MacKenzie Seizai".

(4) The sawmill was permanently closed in 1997 and a value-added plant was constructed on the site during 1998. See "Remanufacturing".

(5) The sawmill was temporarily closed in June 1998. It resumed operations on one shift in July, 1999 and two shifts in October, 1999.

Hammond Cedar

Hammond is a western red cedar only manufacturing facility located on the Fraser River at Maple Ridge, British Columbia. The facility consists of a sawmill, dry kilns, remanufacturing plant and two planermills. Between 1988 and the date of acquisition by the Company, the facility was modernized by the previous owner at a cost in excess of \$60 million. Since the acquisition, new dry kilns were constructed in 1998 and a value-added facility was built in 1994 to recover more clear lumber to produce high grade finished products at a total cost of \$6 million. Included in the Hammond business are the McDonald and Albion value added centres, which provide additional remanufacturing for a portion of Hammond's siding and panel product mix. The Company directs the majority of Hammond's production to North American markets.

Fraser Mills

The Fraser Mills operation consists of a large log sawmill, a planer mill and dry kilns located on the Fraser River at Coquitlam, British Columbia. The facility includes an extensive log merchandizing system that prepares logs for the sawmill based on quality and optimized lengths. Fraser Mills produces a wide range of lumber items for export markets. The operations were upgraded by the previous owner during the 1980's at a cost in excess of \$65 million. Since its acquisition, modifications have been made to the Fraser Mills operation to meet the quality and length requirements of Japanese markets. During 1994 and 1995 additional dry kilns were constructed providing drying capacity for 20% of the mill's production.

Western Whitewood

Western Whitewood is located on the north arm of the Fraser River at New Westminster. It is a very large small log sawmill utilizing German technology to specialize in offshore specifications. In 1994 construction was completed on dry kilns and reprocessing facilities enabling the Company to manufacture more kiln dried value-added products. In 1996 a third kiln was added providing drying capacity for 40% of the mill's production.

MacKenzie Seizai

Located on the south bank of the Fraser River in Surrey, British Columbia, MacKenzie Seizai merchandizes and processes large logs (principally higrade hemlock, balsam, spruce and Douglas fir) and sells more than one-half of its production to markets in Japan and the Pacific Rim. Modifications were made in 1989 which converted the sawmill into a Japanese specialty products mill manufacturing products meeting specialized dimensions and wood grades unique to the Japanese market. Although the volume of production was reduced, the quality and value of production was substantially increased. A portion of this mill's cutting time is spent custom cutting Japanese customers' logs to their specific requirements. Many of the logs cut in this manner were previously purchased from Interfor. Reductions in available timber including the grades and sizes suitable for this mill have resulted in a one-shift operation commencing in February 1997.

Squamish Lumber

The Squamish mill consists of a sawmill and a planer mill located in Squamish at the head of Howe Sound, approximately 75 kilometres north of Vancouver. The mill was temporarily closed in June, 1998 because of market conditions, but reopened on a one shift basis in July, 1999 after operating efficiencies were made which resulted from a cooperative process involving the employees, the Community of Squamish and the Provincial Government. A second shift was added in October, 1999. The mill currently produces Douglas fir products for Japanese markets and western red cedar products for North American markets. During 2000, the sawmill was upgraded with the addition of a twin-band resaw and other capital projects which have successfully reduced costs and improved the sawmill's ability to service its customers.

Adams Lake Lumber

Adams Lake Lumber is Interfor's interior sawmill and is located on Adams Lake near Kamloops, British Columbia. Similar to other interior mill operations, the mill manufactures green or dry lumber for the United States and Canadian construction markets as well as for offshore markets. Adams Lake Lumber has the capability to cut Douglas fir, its core business, as well as spruce-pine-fir, western red cedar, and hemlock. In 2000, the Company completed a \$4.5 million upgrade to improve the range of products that could be offered to its customers. The upgrade included the ability to produce machine stressed rated products, increase the capacity and quality of kiln-drying and other projects which improved product optimization and reduced costs. It is expected that the sawmill will be fully optimized by the end of 2001.

REMANUFACTURING

All of Interfor's sawmills have some capability to process lumber beyond the primary stage. In order to add further value to the Company's lumber products and to provide employment opportunities in British Columbia, Interfor has been increasing its involvement in remanufacturing in three ways:

- By selling rough lumber to independent remanufacturers
- By custom remanufacturing lumber in facilities owned by independent remanufacturers
- By acquiring in 1990 its own remanufacturing plant described below and expanding its capabilities.

Westminster Wood Products Ltd.

Westminster Wood Products is located on leased land near MacKenzie Seizai in Surrey. Its facilities include dry kilns, and resawing, sorting and planing equipment to process about 26 million board feet of kiln-dried lumber per year. Most of the material handled is clear and other high-grade lumber from Interfor sawmills.

McDonald Cedar

McDonald Cedar is located on the Fraser River at Fort Langley, British Columbia. The Company operated a sawmill on the site until October 1997 when it was permanently closed. During 1998, a chop line and a finger-joint plant which employs state of the art technology to recover clear fibre was constructed on the site at a cost of \$4.7 million. The plant continued to use certain buildings, dry kilns, planer equipment and other infrastructure remaining on the site. The new plant started up in the third quarter of 1998 and currently has an annual capacity of 19 million board feet of finger-jointed blanks for cedar siding trim, fascia products, and cutstock for export markets.

Albion Process Centre

The Albion facility operates on leased lands located 7 kilometres from Hammond. The plant processes high value finished siding and decking products. The facilities include a moulder, a resaw, five chop-saws and sorting equipment to process 12 million board feet of kiln dried products per year.

SALES AND MARKETING

The difficult terrain, higher road and other capital costs and higher stumpage charges result in higher log costs for coastal mills compared to interior mills. In addition, the facilities of coastal mills are primarily directed to the handling of logs which result in higher sawmilling costs. However, British Columbia coastal softwood timber is characterized by large, high quality logs in a variety of species which yield a higher percentage of clear and appearance grade lumber than do interior logs. The prices obtained for the premium grades of coast lumber compensate in part for higher logging and sawmilling costs. On average, coastal mills have average selling prices of more than \$300 per thousand board feet higher than interior mills. Accordingly, a continuing priority for Interfor is to develop products and markets that more fully realize the potential for higher grades, special dimensions and value added items. As part of this initiative, Interfor has increased its kiln drying capacity in the interior region to 90% of its lumber production and to 35% in the coastal region.

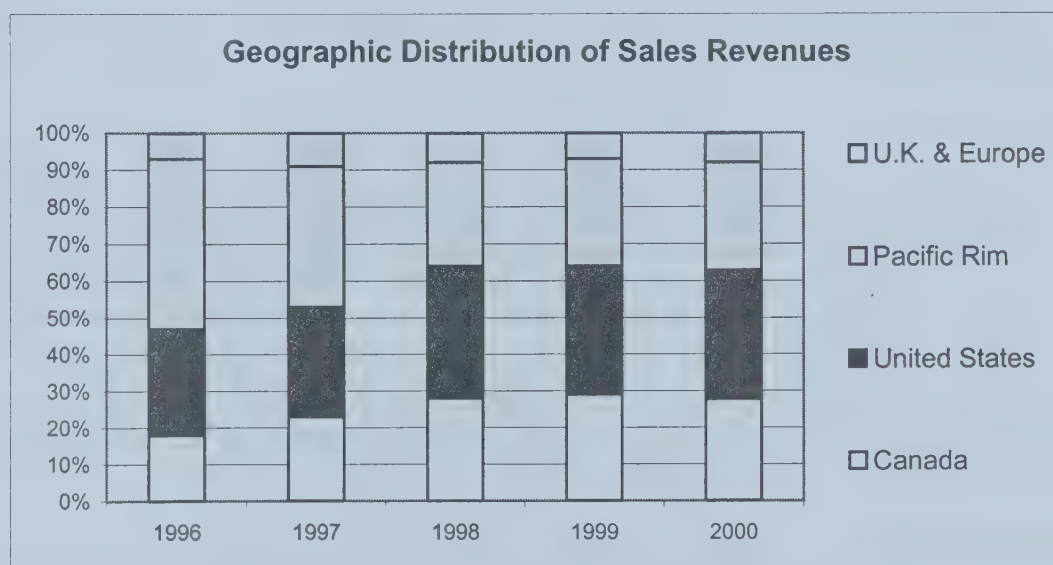
Lumber is similar to many other commodities in that demand is cyclical. Factors such as interest rates, exchange rates, freight rates, government tariff and import policies, and demand for housing affect the demand for lumber. In recent years, the residential repair and remodelling market in North America has become almost as large a lumber consumer as new housing and has lessened the impact of fluctuations in new housing starts. In order to further lessen the impact of rapid cyclical changes in any one market, Interfor maintains the policy of worldwide market and product diversification. Each of the mills has a particular customer and product base in various countries which provides Interfor with a diversified sales profile resulting in less dependency upon United States markets than most other major Canadian producers.

Lumber Sales and Marketing activities are combined into Western Red Cedar, Whitewood and Interior Groups. Interfor's Tokyo office, Interfor Japan Ltd., has developed niche markets and has increased sales directly to end users. While the major market for Interfor's cedar lumber continues to be North America, substantial gains have been made in diversifying into offshore markets in Europe, Japan and Australia.

The following table shows Interfor's lumber sales by geographic area and total sales by product line for the past five years:

	Years ended December 31				
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
	(thousands of dollars)				
Lumber					
— Domestic	\$137,333	\$122,583	\$110,837	\$121,783	\$101,237
— U.S.A	173,556	147,105	143,018	155,817	162,227
— Other export	<u>186,276</u>	<u>158,802</u>	<u>152,897</u>	<u>260,880</u>	<u>300,673</u>
	497,165	428,490	406,752	538,480	564,137
Offshore transportation and handling	20,524	17,648	18,719	28,867	38,034
Logs	168,532	168,693	130,807	148,179	127,880
Wood chips and other by-products	39,363	24,214	22,729	26,779	33,665
Sawmill custom cutting revenue	4,267	3,718	4,473	5,942	7,993
Contract helicopter logging revenue	<u>15,766</u>	<u>18,297</u>	<u>13,614</u>	<u>8,845</u>	<u>3,461</u>
Total sales	<u>\$745,617</u>	<u>\$661,060</u>	<u>\$597,094</u>	<u>\$757,092</u>	<u>\$775,170</u>

The following graph shows the percentage of Interfor's lumber sales revenue to its major markets in the past five years.



Wood Chip and Sawmill Residuals Sales

At normal capacity Interfor produces approximately 500,000 volumetric units of wood chips per year in its sawmill operations. In 2000, operating the sawmills below capacity reduced chip shipments to approximately 410,000 volumetric units for the year. Essentially all of the Company's wood chips are sold under contracts to pulp producers in B.C. with terms varying from 1 to 25 years, with some contracts perpetually renewable by the pulp producer. Most of Interfor's wood chips are sold at prices indexed to current Northern Bleached Softwood Kraft (NBSK) pulp prices, while the balance is sold at current prices.

Interfor supplies chips and sawmill residuals as well as pulp logs to the previous owners of the Hammond and Fraser Mills operations under one of its long-term agreements. The agreement provides for specified target volumes as well as minimum and maximum volumes of pulp fibre to be supplied by Interfor. These volumes are adjustable as Interfor's harvest level changes in the future. Pulp logs and sawmill residuals are sold at market prices, while wood chips are sold at a formula price tied to NBSK pulp prices.

CAPITAL EXPENDITURES

The Company made capital expenditures, including acquisitions, on sawmill and logging operations and timber holdings as shown in the following table:

	<u>2000</u>	<u>Years ended December 31,</u>		<u>1997</u>	<u>1996</u>
		<u>1999</u>	<u>1998</u>		
		(thousands of dollars)			
Acquisitions					
Land, buildings, equipment					
— Manufacturing	—	—	—	—	—
— Forestry and logging	—	—	—	—	—
Logging roads and timber	—	—	—	\$ 12,304	—
	—	—	—	\$ 12,304	—
Other capital expenditures					
Land, buildings, equipment					
— Manufacturing	\$15,041	\$4,493	\$9,454	\$22,066	\$14,758
— Forestry and logging	7,338	2,147	2,543	10,587	7,763
Logging roads and timber	<u>30,253</u>	<u>24,792</u>	<u>26,733</u>	<u>45,025</u>	<u>57,059</u>
	<u>52,632</u>	<u>31,432</u>	<u>38,730</u>	<u>77,678</u>	<u>79,580</u>
Total	<u>\$52,632</u>	<u>\$31,432</u>	<u>\$38,730</u>	<u>\$89,982</u>	<u>\$79,580</u>

The capital expenditures of the Company during the five years ended December 31, 2000 were financed through internally generated funds and through the Company's bank lines.

HUMAN RESOURCES

Interfor employs on average approximately 3,000 people including approximately 700 people through logging contractors operating under its direction. Interfor is a member of Forest Industrial Relations, an association which represents most of the forestry companies in coastal British Columbia in their negotiations with the IWA-Canada ("IWA"). The IWA is the certified bargaining agent for approximately 2,200 people engaged in Interfor's logging and manufacturing operations in the coastal region. The current labour agreement with the IWA will expire June 14, 2003.

Due to an industry wide strike, approximately three percent of the planned shifts of Interfor's manufacturing plants were lost in 2000. On average over the previous five years, approximately one percent of the total planned shifts of Interfor's sawmill operations were lost due to labour disputes.

THE ENVIRONMENT

In late 1994 an Environment Committee of the Board of Directors was formed and in early 1995 an Environmental Policy was approved by the Board. During 1999 the role of the Environment Committee was re-evaluated and reaffirmed with respect to the environment. At that time, the Committee also assumed additional responsibility for health and safety issues. A new Environment Policy was approved by the Board on July 21, 1999 as follows:

Environment Policy

International Forest Products Limited is committed to responsible stewardship of the environment.

- We will minimize environmental impact, prevent pollution and strive for continuous improvement of our environmental performance.
- We will operate in compliance with all applicable laws pertaining to the environment.
- We will regularly review our practices and procedures to monitor and report on environmental performance.

- We will provide training for employees and contractors in environmentally responsible work practices.
- We will manage our forest resources in a sustainable manner that is environmentally appropriate, socially beneficial and economically viable.
- We will promote the use of our wood products as a good choice for the environment.

Upon the formation of the Environment Committee in 1994 the Board directed the management of the Company to implement an environmental compliance program and to ensure that there are regular, documented reports to verify its effectiveness.

The Environment Management System for Coast Forestry and Logging was updated in 1999 to achieve registration to the International Standards Organization Environment Management System Standard (ISO 14001: 1996) for a period of three years, expiring on December 5, 2002. The Company's Interior forest operations obtained ISO 14001 registration in 2000.



During 2000, Interfor enrolled its forestlands into the Sustainable Forestry Initiative (SFI) of the American Forest and Paper Association. The SFI program is a rigorous system of environmental and conservation practices that covers a wide range of forestry, wildlife, water quality, and biodiversity values. Interfor was the first Company operating on public land in British Columbia to achieve third party verification of this work.



In May 2000, Interfor was presented the Millennium Business award for Environmental Achievement by the United Nations Environmental Programme and the International Chamber of Commerce.

Forestry and Logging

All of Interfor's logging plans are subject to the review of the Federal Department of Fisheries and two provincial ministries, Forests and Environment, Lands and Parks. Logging plans may also be reviewed by other Provincial ministries. These plans and silvicultural plans are also advertised in the appropriate newspapers inviting public comment and input.

In a time when new logging techniques and practices are evolving, the Company is attempting to reconcile scientific and technical input with the concerns for issues such as clear cutting old growth forest (harvesting all trees within a given area), maintaining biological diversity (the ability of a forest to sustain a variety of interdependent flora and fauna) and sustainable forestry (the stewardship and use of forests to provide economic, environmental and social opportunities for the benefit of present and future generations).

As part of Interfor's commitment to environmentally improved techniques, it is a pioneer in developing commercially viable helicopter logging techniques, annually logging up to 30% (29% in 2000) of its coastal harvest and 4% of its interior harvest with helicopters. While helicopter logging is more expensive than conventional logging techniques, it reduces the impact on the environment by eliminating the need for extensive logging roads and providing access to timber that would otherwise be inaccessible using conventional logging techniques. Interfor owns and operates the largest helicopter logging operation in Canada.

Over the past few years Interfor has successfully introduced new variable retention harvesting methods throughout portions of its operations. This method in which part of the forest is left standing (either in groups of trees or dispersed individual trees) is an alternative to clear cut logging. During 2000, Interfor applied variable retention methods to approximately 40 % of its areas harvested.

Manufacturing

Interfor's sawmills are all located on waterfront properties making its mill sites particularly environmentally sensitive. The major issue for the coastal sawmills continues to be stormwater runoff.

Stormwater runoff problems emanate from rainfall on the galvanized roofs of sawmill buildings, which in turn can result in toxic levels of zinc in stormwater. Considerable work is being done by the coastal sawmill industry and government to rectify this problem.

Environmental audits have been conducted on an annual basis at all sawmill sites by a professional firm of environmental consultants retained by Interfor over the past nine years. The results of these audits include detailed recommendations; firstly, to ensure compliance with all laws, and secondly, to provide proactive measures to be an environmentally sensitive company. These recommendations have been substantially implemented and where larger capital requirements were recommended, funds have been allocated.

A complete Environment Management Program as described above has also been implemented in the sawmills.

RESEARCH AND DEVELOPMENT

The Company contributes to and participates in industry research organizations that have made numerous technical developments beneficial to the Company in areas such as sawing technology, drying techniques, and anti-sapstain applications. Interfor also is committed to applied research and development in the areas of health and safety and product and market development, particularly in overseas markets.

SHARE CAPITAL

The authorized share capital of the Company consists of 100,000,000 class "A" Subordinate Voting shares without par value ("Subordinate Voting Shares"), 1,700,000 class "B" Multiple Voting shares without par value ("Multiple Voting Shares") and 5,000,000 Preference shares without par value issuable in series with such special rights and restrictions as the Directors of the Company may determine before issue thereof. The Subordinate Voting Shares and Multiple Voting Shares are referred to as "Equity Shares".

Subordinate Voting Shares

The holders of Subordinate Voting Shares are entitled to non-cumulative preferential dividends of 13 1/3 cents per annum for each share in priority to any dividends paid on the Multiple Voting Shares and to further participate, share for share with the Multiple Voting Shares, in any dividends paid on the Subordinate Voting Shares and Multiple Voting Shares for any fiscal year after 13 1/3 cents per share has been paid or set aside for payment on the Subordinate Voting Shares. The holders of Subordinate Voting Shares are entitled to one vote for each share and the holders of the Subordinate Voting Shares are entitled, as a class, to elect one member of the Board of Directors and if there are no Multiple Voting Shares outstanding, are entitled to elect the entire Board of Directors except in certain circumstances where the holders of Preference shares are entitled to elect two Directors.

The provisions relating to the Subordinate Voting Shares may not be varied unless sanctioned by a special resolution of the holders of the Subordinate Voting Shares and the Multiple Voting Shares voting together and by separate resolutions of the respective holders of the Subordinate Voting Shares and the Multiple Voting Shares, the special resolution and separate resolutions in each case requiring a majority of three-fourths of the votes cast.

In the event of liquidation, dissolution or winding-up of the Company or any other distribution of its assets, holders of Subordinate Voting Shares are entitled to declared and unpaid dividends prior to the holders of the Multiple Voting Shares and thereafter to participate, share for share, with the Multiple Voting Shares, subject to all rights of the holders of Preference shares.

Multiple Voting Shares

The holders of Multiple Voting Shares are entitled to participate, share for share, with the Subordinate Voting Shares, in any dividends paid for any fiscal year after 13 1/3 cents has been provided for payment on the Subordinate Voting Shares. The holders of Multiple Voting Shares are entitled to ten votes for each share held and the holders of Multiple Voting Shares are entitled, as a class, to elect all members of the Board of Directors except one member to be elected by the holders of the Subordinate Voting Shares and, in certain circumstances,

two directors to be elected by the holders of Preference shares.

In the event of liquidation, dissolution, or winding-up of the Company or any distribution of its assets, holders of Multiple Voting Shares are entitled after payment of any declared and unpaid dividends on the Subordinate Voting Shares to participate, share for share, with the Subordinate Voting Shares, subject to all rights of the holders of Preference shares.

Any holder of Multiple Voting Shares is entitled at any time to exchange his Multiple Voting Shares for Subordinate Voting Shares on a share for share basis without adjustment for any unpaid dividends.

The provisions relating to the Multiple Voting Shares may not be varied unless sanctioned by a special resolution of the holders of the Subordinate Voting Shares and the Multiple Voting Shares voting together and by separate resolutions of the respective holders of the Subordinate Voting Shares and the Multiple Voting Shares, the special resolution and separate resolutions in each case requiring a majority of three-fourths of the votes cast.

In the event of any subdivision, consolidation, or conversion of either Subordinate Voting Shares or Multiple Voting Shares, an appropriate adjustment is to be made in the rights and conditions attaching to the Subordinate Voting Shares and the Multiple Voting Shares to preserve the benefits conferred on the holders of each class.

Rights on Take-Over Bids and Conversion of Multiple Voting Shares

Any transfer of a Multiple Voting Share:

- (a) by any of W.L. Sauder, members of his immediate family, their descendants and holding companies (collectively the "Controlling Shareholder Group") to any person other than another member of the Controlling Shareholder Group or a person (the "Qualified Purchaser") who is acquiring a majority of the outstanding Multiple Voting Shares and who makes an offer to purchase all outstanding Subordinate Voting Shares, Convertible Preference Shares, and Multiple Voting Shares at an equivalent price; or
- (b) by a Qualified Purchaser to any person other than another Qualified Purchaser,

will result in the automatic conversion of the share into a Subordinate Voting Share.

The Multiple Voting Shares will be automatically converted into Subordinate Voting Shares if:

- (a) the Controlling Shareholder Group or a Qualified Purchaser ceases to beneficially own more than 50% of the issued and outstanding Multiple Voting Shares; or
- (b) the Controlling Shareholder Group or a Qualified Purchaser ceases to beneficially own Equity Shares carrying at least 9.2 million votes, subject to adjustments upon: (i) the subdivision, consolidation, or reclassification of any outstanding Equity Shares, or (ii) the issue of Equity Shares by way of a stock dividend other than an ordinary course stock dividend.

Preference Shares

The Preference shares of each series rank on a parity with the Preference shares of every other series, and are entitled to preference over the Subordinate Voting Shares and the Multiple Voting Shares and over any other shares ranking junior to the Preference shares, with respect to payment of dividends and the distribution of assets of the Company in the event of liquidation, dissolution, or winding-up of the Company.

STOCK EXCHANGE LISTING

The Subordinate Voting Shares are listed on the Toronto Stock Exchange under the symbol IFP.A.

DIVIDENDS

The Company previously had a policy, subject to availability of earnings, of paying stock dividends in order to maintain its Equity Shares as eligible investments for pension plans and various other regulated investments as required under former legislation. This policy was discontinued following the change in eligibility requirements. The last stock dividend was issued in May 1991. Under its credit facilities, the Company may pay cash dividends and certain other payments provided that it meets its banking covenants.

ADDITIONAL INFORMATION

The Company will provide to any person, upon request to the Corporate Secretary of the Company:

- (a) when securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of securities of the Company,
 - (i) one copy of this Annual Information Form together with one copy of any document, or the pertinent pages from any document, incorporated by reference in this Annual Information Form;
 - (ii) one copy of the audited consolidated financial statements of the Company for the years ended December 31, 2000 and 1999 together with the accompanying report of the auditors thereon, and one copy of any interim financial statements of the Company subsequent to such financial statements;
 - (iii) one copy of the Information Circular of the Company dated as of March 1, 2001; and
 - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus other than those referred to above; or
- (b) at any other time, one copy of any of the documents referred to in (a), (i), (ii) and (iii) above provided that the Company may require the payment of a reasonable charge if the request is made by a person who is not a securityholder of the Company.

Additional information relating to the Company is contained in the Information Circular of the Company dated as of March 1, 2001 and additional financial information relating to the Company is contained in the audited consolidated financial statements of the Company for the years ended December 31, 2000 and 1999.

MANAGEMENT DISCUSSION AND ANALYSIS and SELECTED FINANCIAL INFORMATION

Please refer to Management Discussion and Analysis on page 9 for the year ended December 31, 2000, which is incorporated here by reference.

DIRECTORS AND EXECUTIVE OFFICERS

As of March 1, 2001, the executive officers and directors of the Company (18 persons) beneficially owned or exercised control over 4.0% of the Subordinate Voting Shares and 99.6% of the Multiple Voting Shares.

The term of office for each director expires on the date of the next annual general meeting on April 19, 2001.

<u>Directors</u>	<u>Principal Occupations in the Past Five Years</u>	<u>Director Since</u>	<u>Municipality of Residence</u>
LAWRENCE I. BELL (b)(c)	Vice chair of Shato Holdings Ltd; Previously President and Chief Executive Officer of Shato Holding Ltd (Food processing and services; real estate management and development)	Apr. 29, 1998	West Vancouver, B.C.

<u>Directors</u>	<u>Principal Occupations in the Past Five Years</u>	<u>Director Since</u>	<u>Municipality of Residence</u>
DUNCAN K. DAVIES (e)	President and Chief Executive Officer of the Company; previously President and Chief Operating Officer, Executive Vice President and Chief Operating Officer of the Company; Business Consultant to the Company; Vice President Corporate Development of Pacific Forest Products Limited (Forest products)	Nov. 24, 1998	Vancouver, B.C.
IAIN J. HARRIS (a)(c)	Chairman and Chief Executive Officer of Summit Holdings Ltd. (Investment and holdings); previously President and CEO of Air BC Limited (Regional airline)	Apr. 29, 1998	Vancouver, B.C.
ROBERT E. KADLEC (b)(d)(e)	Chairman & C.E.O. of Bentley Capital Corp. (Venture capital); previously President and Chief Executive Officer of BC Gas Inc. (Energy holding company)	Oct. 18, 1994	West Vancouver, B.C.
HAROLD C. KALKE (a)(b)	President of Kalico Developments Ltd. (Real estate development and management)	July 18, 2000	West Vancouver, BC
CLAUDE C. LAVAL, III (a)(d)	President of Claude Laval Corporation (Manufacturer of filtration equipment)	Apr. 28, 1994	Fresno, Calif., U.S.A.
RICHARD N. MCKERRACHER (b)(d)	Senior Vice President and previously Vice President, Finance of Sauder Industries Limited (Manufacturers and distributors of building products)	Apr. 29, 1998	North Vancouver, B.C.
JOHN A. MILROY (a)(d)	Business Consultant	Mar. 23, 1978	Vancouver, B.C.
E. LAWRENCE SAUDER (c)(e)	Vice Chairman of the Company; President of Sauder Industries Limited (Manufacturers and distributors of building products)	Apr. 18, 1984	Vancouver, B.C.
WILLIAM L. SAUDER (c)(e)	Chairman of the Company; previously Chairman and Chief Executive Officer of the Company	Jul. 27, 1977	Vancouver, B.C.
JOSEPH SEGAL	President of Kingswood Capital Corporation (Venture capital)	Feb. 2, 1987	Vancouver, B.C.
JOHN C. SOUTHCOTT (a)(c)	Retired; formerly Vice Chairman of the Company; previously President and Chief Operating Officer of the Company	Mar. 21, 1980	West Vancouver, B.C.

(a) Member of the Audit Committee

(b) Member of the Corporate Governance Committee

(c) Member of the Management Resources and Compensation Committee

(d) Member of the Environment and Safety Committee

(e) Member of the Executive Committee

<u>Executive Officers</u>	<u>Principal Occupations in the Past Five Years</u>	<u>Municipality of Residence</u>
WILLIAM L. SAUDER	Chairman of the Company; previously Chairman and Chief Executive Officer of the Company	Vancouver, B.C.
E. LAWRENCE SAUDER	Vice Chairman of the Company; President of Sauder Industries Limited (Manufacturers and distributors of building products)	Vancouver, B.C.
DUNCAN K. DAVIES	President and Chief Executive Officer of the Company; previously President and Chief Operating Officer; Executive Vice President and Chief Operating Officer of the Company; Business Consultant to the Company; Vice President Corporate Development of Pacific Forest Products Limited (Forest products)	Vancouver, B.C.
HUGH J. SUTCLIFFE	Senior Vice President, Coastal Operations; previously Vice President, Coast Forestry and Logging of the Company; Vice President, Woodlands and Chief Forester of Pacific Forest Products Limited, (Forest products)	Vancouver, BC
JAMES A. BELSHEIM	Vice President, Interior Operations; previously General Manager of the Company's Adams Lake and Squamish operations, Vice President Atlantic Marketing and Vice President Administration and Vice President Finance of Pacific Forest Products Limited (Forest products)	West Vancouver, B.C.
JACK E. DRAPER	Vice President, Cedar; previously General Manager, Cedar	Delta, B.C.
JOHN A. HORNING	Vice President Finance and Corporate Development; previously Vice President of the Company, Business Consultant to the Company; President and C.E.O. of Pacific Coach Lines Ltd. (Transportation)	West Vancouver, B.C.
OTTO F. SCHULTE	Vice President, Coastal Woodlands; previously General Manager, Campbell River Operations of the Company; Manager Gold River Forest Operations of Western Forest Products Limited (Forest products); Woodlands Manager Gold River Woodlands, Pacific Forest Products Limited (Forest products)	Black Creek, B.C.
KENNETH W. VOIGHT	Vice President, Whitewood; previously Senior Vice-President, Forest Operations	Delta, B.C.
GERALD J. FRIESEN	Vice President and Corporate Secretary; previously Corporate Secretary; Vice-President Finance and Secretary of the Company	Coquitlam, B.C.



International Forest Products Limited

ENVIRONMENT AND SAFETY REPORT FOR 2000

ENVIRONMENT

The Company's Environment Policy is as follows:

ENVIRONMENT POLICY

International Forest Products Limited is committed to responsible stewardship of the environment.

- We will minimize environmental impact, prevent pollution and strive for continuous improvement of our environmental performance.
- We will operate in compliance with all applicable laws pertaining to the environment.
- We will regularly review our practices and procedures to monitor and report on environmental performance.
- We will provide training for employees and contractors in environmentally responsible work practices.
- We will manage our forest resources in a sustainable manner that is environmentally appropriate, socially beneficial and economically viable.
- We will promote the use of our wood products as a good choice for the environment.

Approved and Endorsed
By the Board of Directors
July 21, 1999

OPERATIONAL PERFORMANCE

During 2000 Interfor's employees continued the process of continual improvement in the company's environmental performance. This was highlighted with the Company being chosen as one of twelve companies from around the world to receive the inaugural Millennium Business Award for Environmental Achievement, awarded jointly by the United Nations Environment Programme and the International Chamber of Commerce. The award was accepted in a ceremony in Budapest, Hungary. The award acknowledges the Company's building of new relationships and working in harmony with the natural surroundings and communities in which it operates.

In presenting the Award, the United Nations Environment Programme and the International Chamber recognized Interfor's commitment to environmental management, including our:

- Leadership role in the use of low-impact helicopter logging.
- Use of variable retention logging (as an alternative to clearcutting).

- Introduction of systems to monitor environmental performance (in both forestry and milling operations).
- Reforestation practices.
- Compliance record under the BC Forest Practices Code.
- Involvement and partnerships with employees, communities and First Nations.
- Forest certification activities.

Woodlands Operations

(a) Forest Practices

Interfor's sustainable forest management practices are guided by a team of qualified professional foresters, technicians and a dedicated workforce. The company is a leader in the development of innovative and environmentally sensitive harvesting practices with a proven ability to meet and exceed the strict legal requirements governing forestry on public land in British Columbia.

Interfor manages forests for timber production while integrating conservation values to ensure protection of water quality, fisheries, wildlife and biodiversity. Harvesting plans are based on ecological conditions and approved by public agencies.

Interfor introduced variable retention harvesting as an alternative to clearcutting as a method for logging. In 2000, the company's variable retention logging methods were applied to 42 percent of its harvesting area.

Interfor continues to be a leader in low impact helicopter logging and owns and operates the largest helicopter logging company in Canada. Approximately 25-30 percent of Interfor's harvest volume is logged by helicopter.

(b) Forest Practices Board Audit Results

The BC Forest Practices Board (an independent public agency) concluded the Company's Clayoquot operations were in compliance, in all significant respects, with the BC Forestry Practices Code. The Company's TFL 54 in the Clayoquot was selected for audit in random process, as part of a routine annual sample of tenures across BC. In addition, the Clayoquot operations were also found to be in compliance with the additional requirements under the Clayoquot Scientific Panel for Sustainable Forest Practices, including the recommendations of the Central Region Board.

(c) Certification of Forest Operations

ISO 14001

It has become increasingly clear that, to ensure both access to world markets and consumer acceptance of our products, certification of Interfor's forest management practices is required. In response to this need the company completed during the year, a process which began in 1998, to register all of its woodlands operations under the International Standards Organization Environmental Standard (ISO 14001: 1996) for Environmental Management Systems (EMS). Coastal operations were audited and granted registration in 1999. This registration is valid for a three-year period ending December 5, 2002.

Our Adams Lake operation successfully registered its woodlands operation in 2000. The registration, obtained from KPMG Quality Registrar Inc., is valid for a three-year period ending September 7, 2003.

In 2000, Coastal Woodlands also successfully completed two periodic assessment reviews of its ISO certification. As well, KPMG Quality Registrar Inc. approved the Company's Sustainable Forest Management Plan (SFMP). The SFMP is an integral part of the company's coastal EMS.

Key objectives of the SFMP are:

- Employees operate in a safe and environmentally responsible manner.
- Forest plans are developed in consultation with the public.
- Activities incorporate conservation management for water, soil, wildlife and other ecological values.
- Forest landscapes provide for biodiversity and old growth values.
- Harvest rates that ensure long term sustainability.
- Viable operations that benefits society
- Activities respect all laws and tenure responsibilities.

Sustainable Forestry InitiativeSM (SFI)

In October, Interfor became the first Canadian forest company to sign a licence agreement with the American Forest & Paper Association's Sustainable Forestry Initiative (SFI)SM program, an exacting standard that measures a participant's actual activities in support of sustainable forestry.

Three key components of this sustainable process during 2000 included:

- Retaining KPMG Quality Registrar Inc. to assist with the registration.
- Interfor personnel carrying out preliminary internal audits to identify areas of non-conformance with SFI standards.
- The company formed a public stakeholder group to assist in the audit process and to act as a conduit for further public involvement in our forest operations.

Areas of scrutiny included:

- Use of sustainable forestry practices in growth, harvest and management of the forest.
- Conservation practices for wildlife and water quality protection.
- Efficient use of forest resources.
- Protection of historic and cultural values.
- Public involvement.

In January 2001, Interfor became the first BC forest company, operating on publicly owned land, to receive environmental certification to the American Forest & Paper Association's Sustainable Forestry Initiative (SFI)SM standard. The certification was achieved after an extensive audit of the Company's Coastal Woodlands operations by KPMG Quality Registrar Inc.

Manufacturing Operations

(a) Envirochem Audits at the Mills

Environmental auditing has been conducted annually by Envirochem Consultants Ltd. at all Interfor manufacturing plants.

	Audit Score (Out of 5)					
	1995	1996	1997	1998	1999	2000
Adams Lake	3.3	3.6	4.2	4.3	4.4	4.5
Albion	4.6	4.6	4.6	4.6	4.7	4.8
Fraser Mills	3.7	3.9	4.0	4.3	4.4	4.4
Hammond Cedar	4.1	4.1	4.2	4.4	4.4	4.4
McDonald Cedar	3.1	3.6	4.1	4.1	4.3	4.7
MacKenzie Seizai	3.7	3.7	4.3	4.4	4.4	4.5
Squamish	N/A	3.7	4.2	4.3	N/A *	4.3
Western Whitewood	4.3	4.2	4.3	4.5	4.5	4.6
Westminster Wood	<u>N/A</u>	<u>4.1</u>	<u>4.5</u>	<u>4.4</u>	<u>4.4</u>	<u>4.5</u>
Average	3.8	4.0	4.3	4.4	4.4	4.5

*No audit was done at the Squamish Mill, as it was inactive for the first half of 1999.

(b) Environment Management System

During 2000 Interfor continued to retain Envirochem to assist in the administration of the company's manufacturing EMS. Key services provided under this contract include:

- Environmental reviews and audits
- Environmental and stormwater monitoring
- Environmental engineering design
- Toxicity and laboratory studies
- Contaminated site investigation and remediation
- Risk assessment and management
- Government liaison where required

While Envirochem assists with these services it is clear to all Interfor managers that they ultimately control and have full responsibility for ensuring the EMS is functioning well and fully complied with.

(c) Stormwater Runoff Toxicity

In testing for antispain chemicals in stormwater runoff, it has been found that although samples taken are compliant with legislated chemical concentration limits for antispain chemicals, they are failing (bioassay) fish toxicity tests.

In many cases, it has been determined that this toxicity is caused by elevated levels of zinc contaminants picked up by softwater rain on galvanized roofs. It has further been determined that this run off becomes non-toxic when entering the Fraser River or other marine environments due to an increase in the pH (a decrease in acidity) and water hardness (increased calcium and magnesium) of the receiving waters.

The Pollution, Prevention and Remediation Branch of the Ministry of the Environment, Lands and Parks (M.o.E.L.P.) has recognized these circumstances and are considering an amendment to the sampling protocol to reflect the receiving environmental conditions for pH and hardness. This amendment is pending a review by other provincial and federal staff. If the amendment is accepted, this should result in stormwater runoff samples being in compliance with the Regulation. In the event that the proposed amendment is not accepted, low cost options will be investigated, such as use of limestone to treat stormwater.

(d) Squamish Dip Tank Remediation

The soil surrounding the abandoned outdoor lumber dip tank at the Squamish sawmill was found to be contaminated with pentachlorophenol (P.C.P.) and tetrachlorophenol (T.C.P.). As a result a remediation program was undertaken with contaminated soil placed in biocells. Test results indicate the bioremediation is working. The bioremediation process will continue into 2001.

(e) McDonald Cedar Site Investigation Order

In April, 2000 a Detailed Site Investigation Report prepared by Hemmera Envirochem Inc. was submitted to the Ministry of Environment in response to a Site Investigation Order issued in late 1999; the Order related to petroleum hydrocarbon contamination that had been partially remediated in 1995. Following a cursory review of the report, the Ministry responded in early August with two minor questions, which were answered immediately. A request for Approval in Principle of a Remedial Action Plan will be submitted to the Ministry in the first quarter of 2001.

(f) Bay Lumber Site Investigation

In July, 2000 a detailed site investigation of the Bay Lumber site was commenced. Initial results indicated very limited diesel fuel soil contamination. Remediation of this contaminated soil will commence early in 2001. In addition, the investigation has uncovered the existence of anti-sapstain chemical in the soil around the former diptank area and adjacent groundwater. Further investigation and remediation planning is currently underway.

These findings have been reported to the BC Ministry of Environment and other appropriate agencies.

(g) Contamination Migration from the Nexen Inc. (formerly Canadian Occidental Petroleum Ltd.) Plant Site, Squamish, BC

In 1999 Interfor became aware of potential mercury contamination migrating onto Company lands from the Nexen plant site in Squamish. Shortly after, the BC Ministry of Environment issued a formal remediation order to Nexen, which appears to adequately address Interfor concerns.

The Company has hired both an environmental consultant and an environmental lawyer to monitor developments. So far no issues relating to Interfor property have been identified. Nevertheless, the Company will continue to monitor this matter.

HEALTH AND SAFETY

The Company's Health and Safety Policy is as follows:

HEALTH AND SAFETY POLICY

Health and Safety is the uncompromised right and responsibility of all employees.

- We will monitor and report regularly on our Health and Safety performance.
- We will integrate Health and Safety into our business with the knowledge that all accidents are preventable.
- We will hold all levels of management accountable for providing a safe work environment and enforcing safe work practices, including timely follow-up of safety incidents.
- We will train all employees to identify hazards and to protect themselves and fellow workers.
- We will hold all employees and contractors working for Interfor accountable for following safe work practices and reporting unsafe acts and conditions.
- We will use audits to measure and improve our Health and Safety performance.
- We will actively involve our employees in effective Safety programs.
- We will operate in compliance with Health and Safety Regulations

International Forest Products Limited is committed to the health, safety, and well being of all employees.

Approved and Endorsed
By the Board of Directors
July 21, 1999

MEASURING PERFORMANCE

During 1998 the company determined that its health and safety record was in need of significant improvement. The measure chosen to gauge performance was the Medical Incident Rate (M.I.R.), which is the principal measuring standard, used by the forest industry. The Medical Incident Rate is determined by multiplying all medical treatment cases (including lost time cases, restricted work cases and doctor treatment cases) by 200,000 hours and then dividing by total hours worked. During 1999, company employees demonstrated a significant improvement in safety performance reducing the M.I.R. by one-half from 1998. The target for both Coastal Woodlands and Manufacturing was to reduce the 1999 M.I.R. by one-third for 2000. Results for the period 1997 to 2000 are as follows:

Medical Incident Rates	Coastal Woodlands	Manufacturing	Total Interfor
1997	35.8	16.4	22.8
1998	32.9	17.9	23.4
1999	14.2	10.2	11.7
2000 – actual	13.2	5.9	8.6
-- target	9.5	6.8	7.8

The Manufacturing Group surpassed their M.I.R. target for 2000 and they achieved the best safety performance (M.I.R.) in that BC forest industry sector as reported by Forest Industry Advisory Service (FIAS). Adams Lake, in particular, achieved the best M.I.R. of any reporting mill. The Coastal Woodlands Group improved on their 1999 performance and will target for greater improvement in 2001.

The Squamish Lumber Division of the Manufacturing Group was successful in achieving the Canadian Society of Safety Engineering Award for the top health and safety awareness program in Canada. As well, the Squamish Lumber Division attained first place in the national and provincial Best Overall categories for North American Occupational Safety and Health week held in May.

Building on this performance the target for 2001 will be to lower the actual M.I.R. experienced as follows:

	Medical Incident Rates		
	Coastal Woodlands	Manufacturing	Total Interfor
2001- target	Less than 10.0	Less than 4.5	Less than 6.5

GOING FORWARD

During 2001 it is the intention of the company to:

- Conduct independent safety audits in operating divisions.
- Develop and implement more effective training programs.
- Elevate further the visibility of safety performance throughout the company as being the item of first accountability.

These efforts are designed to make all Interfor operations safe and healthy places to work:

GLOSSARY

“Allowable Annual cut (AAC)” The average annual volume of timber which the holder of a licence from the Province of British Columbia may harvest on Crown land under the licence in a five-year control period.

“Cash flow from operations” Cash generated from operations before considering changes in operating working capital.

“Clear fibre” Refers to knot and defect-free fibre found in higher-grade sawlogs; in lumber from, this fibre commands a premium price.

“Custom cutting” An arrangement under which a mill contracts to cut logs owned by a customer into products of specifications defined by the customer.

“EBITDA” Earnings before interest, income taxes, depreciation, depletion, amortization, restructuring costs and capital asset write-downs.

“Forest Licence” Replaceable, volume-based timber cutting rights for a specific volume of Crown timber within a Timber Supply area.

“Hectare” A metric unit of area measurement, equal to 2.47 acres.

“m” A measure of one cubic metre of solid wood, British Columbia metric scale, as determined under the Forest Act, equal to 35.3 cubic feet of solid wood.

“Mfbm” One thousand foot board measure equal to one thousand square feet of lumber, one inch thick.

“Return on average invested capital” Net earnings (loss) plus after tax interest cost divided by the average of opening and closing invested capital (bank indebtedness plus long-term debt plus shareholders' equity).

“Return on average shareholders' equity” Net earning (loss) divided by the average of opening and closing shareholders' equity.

“Roaded timber” Forest areas designated for future harvesting to which access roads have been constructed.

“Silviculture” The art and science of controlling the establishment, growth, composition, health and quality of forests.

“Stumpage” A charge assessed by the provincial government on all Crown timber harvested.

“Sustained yield (sustainable log supply)” The yield that a forest area can produce on an ongoing basis without impairment of the long-term productivity of the land.

“Timber Licence” Non-replaceable, area based, Crown timber cutting rights.

“Tree Farm Licence” A renewable 25-year licence to manage forest area to yield an annual harvest on a sustainable basis.

“Value-added product” A commodity or other product that has been further processed to increase financial value.

“Volumetric unit” A unit of measurement for wood chips and other sawmill by-products, being equal to 200 cubic feet.

“Whitewood” Includes the Coastal species Hemlock, Balsam Fir, Douglas Fir and Spruce; the term whitewood is used on British Columbia Coast to differentiate the above species from Red Cedar and Yellow Cedar.

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